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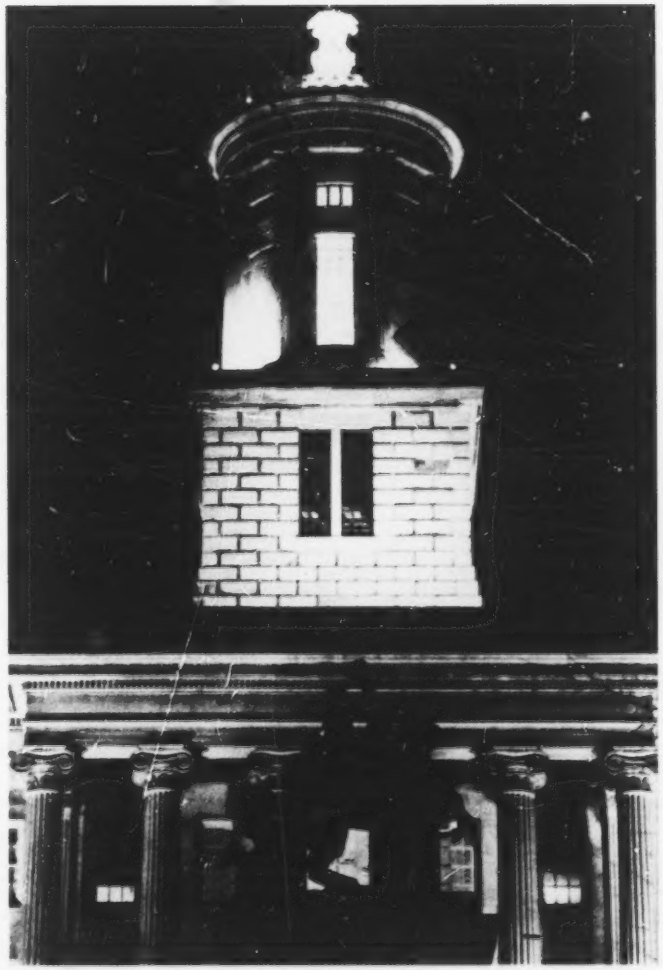

Annual Financial Report

For the Year Ended June 30, 1981

STATE OF TENNESSEE
Lamar Alexander, Governor

Tennessee is a versatile state . . . rich in history, progressive in outlook, poised on the brink of greater prosperity.

It is a state of small towns, promising cities and dynamic urban areas . . . communities of character, built on a pioneer spirit of neighborly cooperation by a people dedicated to retaining their individuality and independence in the midst of growth.

Tennessee's boundaries, from the mountains in the east, through gently rolling hills, to the Mississippi flatlands, enclose distinct geographic divisions encompassing a vibrant blend of cultures, crafts and natural resources.

From this diversity of land and people has grown a broad-based economy, born of strong leadership, nurtured in a solid agricultural base and flourishing in a large-scale commitment to increasing industrial development in an aggressive and financially sound business climate.

Tennesseans enjoy the rewards of a prospering state . . . a satisfying lifestyle built on a modern transportation system, innovative and enterprising technological advancements, outstanding educational institutions and an extraordinary variety of recreational opportunities amid unsurpassed scenic beauty.

Tennessee's distinctive heritage, natural advantages, basic resources and independent and individual spirit is reflected today in a people proud of the past and prepared for the future.

The State Capitol in Nashville

Annual Financial Report

For the Year Ended June 30, 1981

STATE OF TENNESSEE

LAMAR ALEXANDER, Governor

DEPARTMENT OF AUDIT
WILLIAM R. SNODGRASS, Comptroller of the Treasury
Division of State Audit
FRANK L. GREATHOUSE,
Director

DEPARTMENT OF FINANCE AND ADMINISTRATION
WILLIAM B. SANSOM, Commissioner
Division of Accounts
ROBERT L. BUCKHAM, Assistant Commissioner
for Accounting

Authorization No. 175; 825 copies.

STATE OF TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1981

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STATE OF TENNESSEE

DEPARTMENT OF FINANCE AND ADMINISTRATION

STATE CAPITOL, NASHVILLE, TENNESSEE 37219

WILLIAM B. SANSOM, Commissioner

November 10, 1981

The Honorable Lamar Alexander
Governor of the State of Tennessee

Dear Governor Alexander:

In accordance with Section 4-4-114, Tennessee Code Annotated, it is my pleasure to transmit to you the Annual Financial Report of the State of Tennessee for the year ended June 30, 1981. We are proud of this report which represents further progress toward reporting in complete conformity with the stringent standards established by the National Council on Governmental Accounting and the Municipal Finance Officers Association. This report is presented on the accrual or modified accrual basis, as appropriate, and we believe it presents Tennessee's financial picture clearly and understandably. The report includes all funds and account groups of the state.

During the year Tennessee continued to experience the unrelenting pressures of inflation. This, together with sluggish tax revenues, required that we promptly reduce expenditures in order to preserve fund balances. Although the state was able to continue funding the rapidly accelerating health and social service programs through reductions in staffing and curtailment of equipment purchases, it was necessary to reduce our revenue reserve as of June 30, 1981 from $31 million to $22.5 million. In these times of a weakening economy and with the prospect of a continuing revenue crunch, the willingness and ability of the state to respond to and deal with the realities of inflation is the true test of its financial strength. Once again, Tennessee has met this test.

Management's Responsibilities for Financial Reporting

The financial statements of the State of Tennessee have been prepared by management who is responsible for their integrity and objectivity. These statements are based on generally accepted accounting principles considered by management to present fairly and consistently the state's financial position and results of operations. These statements necessarily include some amounts which are based on management's best estimates and judgments.

The state's system of internal accounting controls is designed to provide reasonable assurance as to the protection of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The financial statements have been examined by the Division of State Audit, Office of the Comptroller of the Treasury. Their examination was conducted in accordance with generally accepted auditing standards, and their opinion appears elsewhere herein.

General Governmental Functions

Revenues for general governmental functions totaled $3.5 billion in 1981, an increase of 5% over 1980. Taxes represented 56% of general revenues compared to 57% last year. The amount of revenues from various sources and the changes from last year are shown below (expressed in thousands).

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1980
Taxes	$1,956,031	55.5%	$ 64,290
Licenses, fees and permits	40,359	1.2	2,099
Interest on investments	78,861	2.2	(13,151)
Federal	1,259,554	35.7	108,808
Departmental services	182,219	5.2	11,649
Other	7,817	.2	(2,266)
	$3,524,841	100.0%	$171,429

Revenue highlights in 1981 were few as national economic conditions moderated the rate of growth from that experienced in the seventies. Federal revenues did rise 9.5% despite a $22 million loss caused by the elimination of the revenue sharing program. A stronger than anticipated fourth quarter helped push sales tax collections to a 6% increase over 1980 levels. Gasoline and related taxes continued their downtrend, decreasing $5 million to $220 million.

Expenditures for general governmental purposes totaled $3.7 billion, an increase of 7% over 1980. Changes in expenditures by function from the preceding year are presented in the following tabulation (expressed in thousands).

Function	Amount	Percent of Total	Increase (Decrease) from 1980
General government	$ 179,184	4.8%	$ 5,067
Education	1,283,647	34.6	53,137
Health and social services	1,384,330	37.3	186,394
Law, justice and public safety	162,715	4.4	17,199
Recreation and resources development	68,366	1.8	3,828
Regulation of business and professions	14,245	.4	437
Transportation	447,850	12.1	(31,749)
Debt service	80,774	2.2	2,670
Capital outlay	90,978	2.4	1,595
	$3,712,089	100.0%	$238,578

Although recording the smallest percentage increase since 1977, state expenditures reached record levels in 1981. Functionally, the largest increments occurred in health and social services where burgeoning Medicaid costs totaled $450 million (versus $380 million in 1980); and in law, justice and public safety where expenses of the correctional system, fueled by rising crime rates, rose $10 million. Construction outlays for the primary highway system decreased $27 million, leading to an overall reduction in transportation expenditures in 1981.

Despite an overall decrease of some $152 million, the ending fund balances for all governmental fund types ($516 million) were maintained at adequate levels. Of this total, unreserved governmental fund balances aggregated $38.9 million as compared to $44.2 million the previous year end.

Debt Administration

Tennessee continues to receive excellent bond ratings from both Moody's Investors Service (Aaa) and Standard and Poor's Corporation (AA+), reflecting our long-standing record of sound financial management. Despite the sale of $71.4 million of general obligation bonds in August 1980 ($33.1 million of which are to be repaid from resources of the Sewage Treatment Facilities Fund), general long-term debt declined from $603 million at June 30, 1980 to $590 million at June 30, 1981. The following table presents general obligation bonds issued during the past five fiscal years.

Date of Issue	Amount (Millions)	Average Interest Rate
March 1, 1977	$ 52.1	4.988%
October 1, 1977	107.4	4.667
August 1, 1980	71.4	7.017

The ratio of net general long-term debt to assessed valuation and the amount of net debt per capita and per family are useful to citizens, investors and management as indicators of the state's debt position. At June 30, 1981 these data were as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita	Debt per Family
Net General Long-Term Debt	$587,298,000	3.32%	$130.57	$470.21

Cash Management

In recent years the State Treasurer has pursued an aggressive cash management and investment program. One aspect of this which we believe is unique to Tennessee is our direct access into the Federal Reserve Wire System. Through the State Trust of Tennessee, all wire services in the federal system are available via a terminal located in the state's investment offices. This provides the state with unprecedented flexibility in investing and concentrating cash balances and pension fund assets. For the year ended June 30, 1981 over $6.5 billion in transactions were moved over the wire system.

Pension Plan

Total assets of the state's pension trust fund reached $2.1 billion at June 30, 1981. The latest actuarial valuation of the plan, prepared as of that date, indicates that the actuarially computed value of vested benefits exceeded net assets of the fund by $776 million. The actuarial report also notes that progress in funding continues to be made, the funding ratio for the entire system increasing to 71.1% at year end.

General Fixed Assets

The general fixed assets of the state are those fixed assets used in the performance of general governmental functions. They exclude the fixed assets of the Enterprise, Internal Service and College and University Funds. As of June 30, 1981 the state's general fixed assets amounted to $857 million. Since historical cost records for those items acquired or constructed prior to July 1, 1978 (some $508 million) are incomplete or not available, the best estimates of historical costs have been used for their valuation. The state is continuing the development of appropriate accounting records for all general fixed assets, including a detailed inventory of land and buildings.

Certificate of Conformance

The Municipal Finance Officers Association of the United States and Canada awarded a Certificate of Conformance in Financial Reporting to the State of Tennessee for its June 30, 1980 Annual Financial Report. The report was judged to substantially conform to the high standards for financial reporting as promulgated by that Association and the National Council on Governmental Accounting. The Certificate of Conformance is valid for a period of one year only. I believe our current report continues to meet these standards, and it will be submitted for Certificate of Conformance Review. Currently Tennessee and Maryland are the only states to hold the Certificate of Conformance in Financial Reporting.

Future Prospects

Although short-range prospects for the national economy are uncertain, Tennessee's spirit of commitment to the future remains unflagging. Illustrative of this is the selection of Knoxville as the site of the 1982 World's Fair. With construction proceeding rapidly, 19 nations have now indicated their participation in the Fair which opens next May. Some 13 to 15 million persons are expected to visit the 6-month exposition.

Tennessee continues its progressive and responsible fiscal program to provide necessary government services for our citizens from the lowest per capita state tax burden of any southeastern state. Our leadership role in accounting and financial reporting excellence also continues.

Respectfully submitted,

William B. Sansom, Commissioner
Department of Finance and Administration

jm

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

William R. Snodgrass
Comptroller

STATE CAPITOL
NASHVILLE, TENNESSEE 37219
PHONE (615) 741-2501

November 10, 1981

To the Members of the General Assembly
of the State of Tennessee
and
Honorable Lamar Alexander, Governor
State of Tennessee

Ladies and Gentlemen:

In accordance with Section 4-3-304, Tennessee Code Annotated, transmitted herewith is the accountants' report on the Annual Financial Report of the State of Tennessee for the fiscal year ended June 30, 1981.

Respectfully,

W. R. Snodgrass
Comptroller of the Treasury

WRS/lsc

The State of Tennessee was awarded the Certificate of Conformance by the Municipal Finance Officers Association of the United States and Canada for its Annual Financial Report for the year ended June 30, 1980. Tennessee and Maryland are the only states to currently hold a valid Certificate of Conformance.

Certificate of Conformance in Financial Reporting

Presented to

State of Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 1980

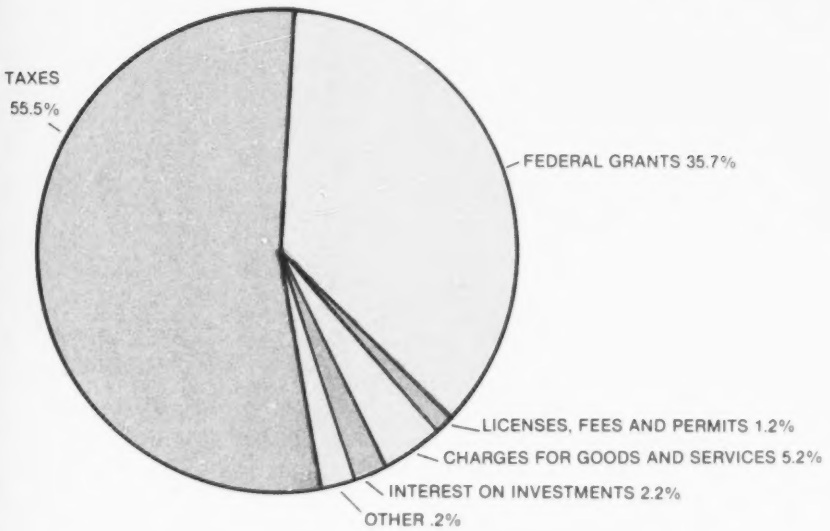
A Certificate of Conformance in Financial Reporting is presented by the Municipal Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.

President

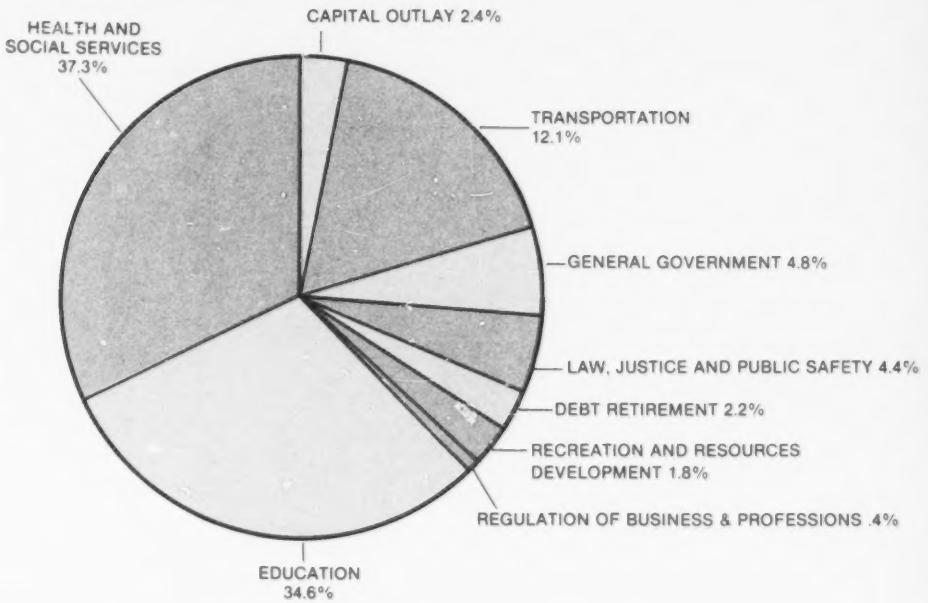
Executive Director

STATE OF TENNESSEE
GRAPHIC PRESENTATION OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1981

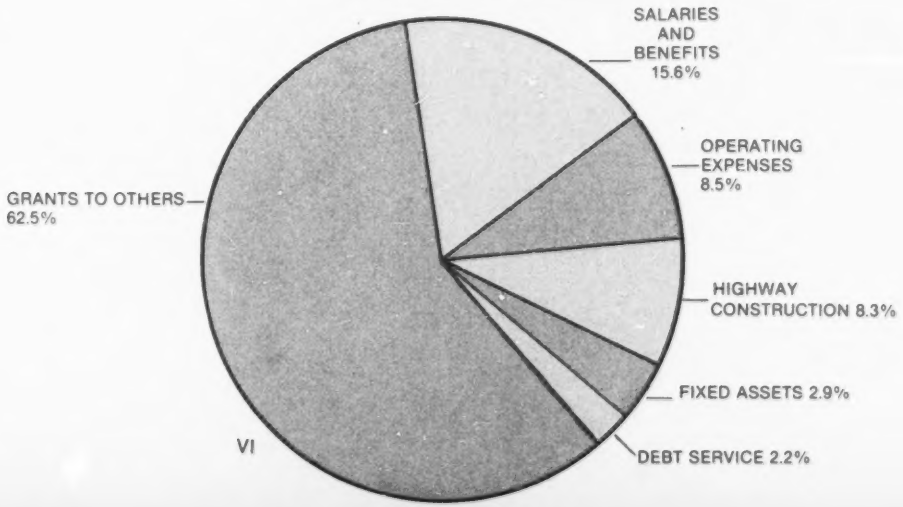
REVENUES BY SOURCE



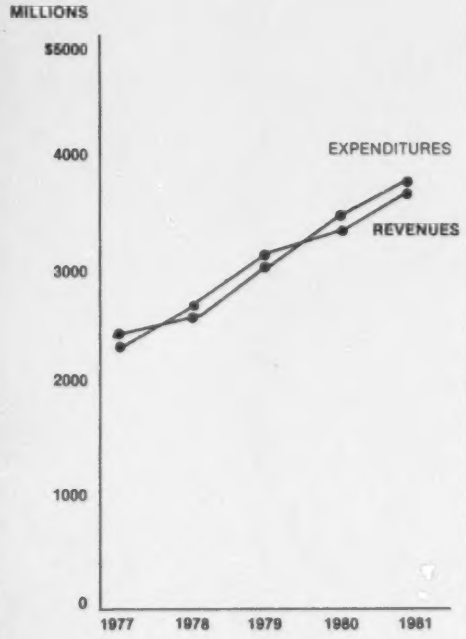
EXPENDITURES BY FUNCTION



EXPENDITURES BY OBJECT

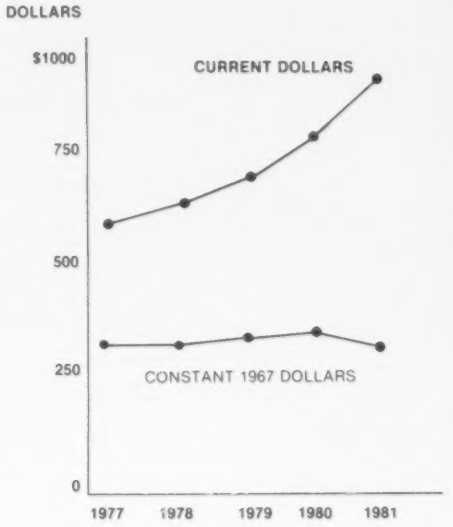


STATE OF TENNESSEE
REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



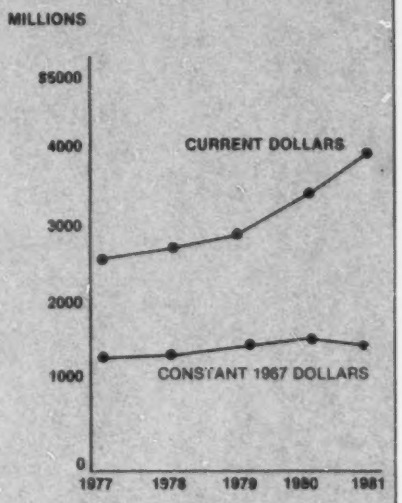
	1977	1978	1979	1980	1981
REVENUES	**$2469**	**$2764**	**$3049**	**$3353**	**$3525**
EXPENDITURES	**$2494**	**$2676**	**$2989**	**$3474**	**$3712**

STATE OF TENNESSEE
PER CAPITA EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



	1977	1978	1979	1980	1981
CURRENT DOLLARS	**$582**	**$619**	**$682**	**$783**	**$825**
CONSTANT DOLLARS (1967)	$341	$341	$349	$360	$334
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	2.1%	6.4%	10.2%	14.8%	5.4%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(3.7%)	—%	2.3%	3.2%	(7.2%)

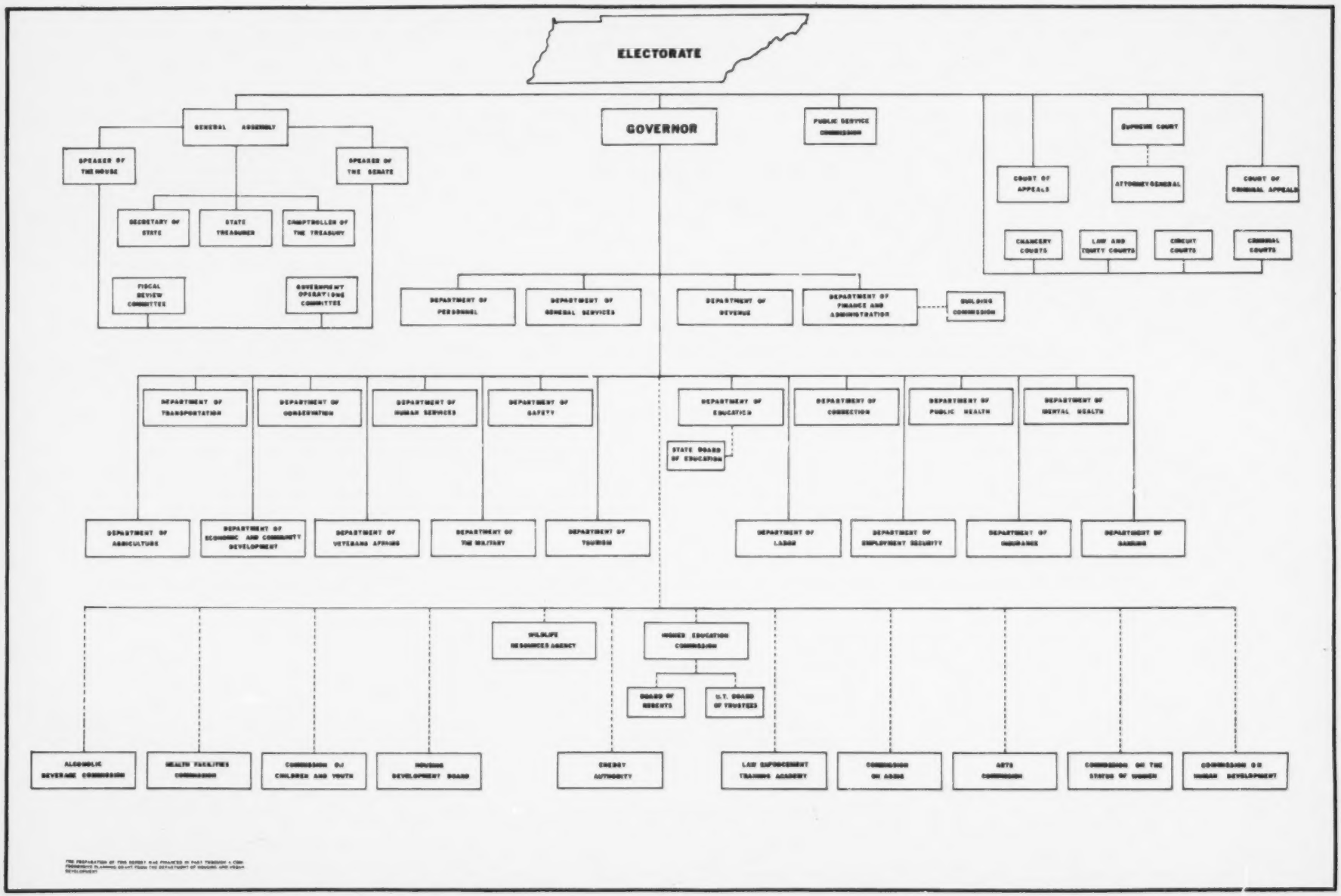
STATE OF TENNESSEE
EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
LAST FIVE YEARS



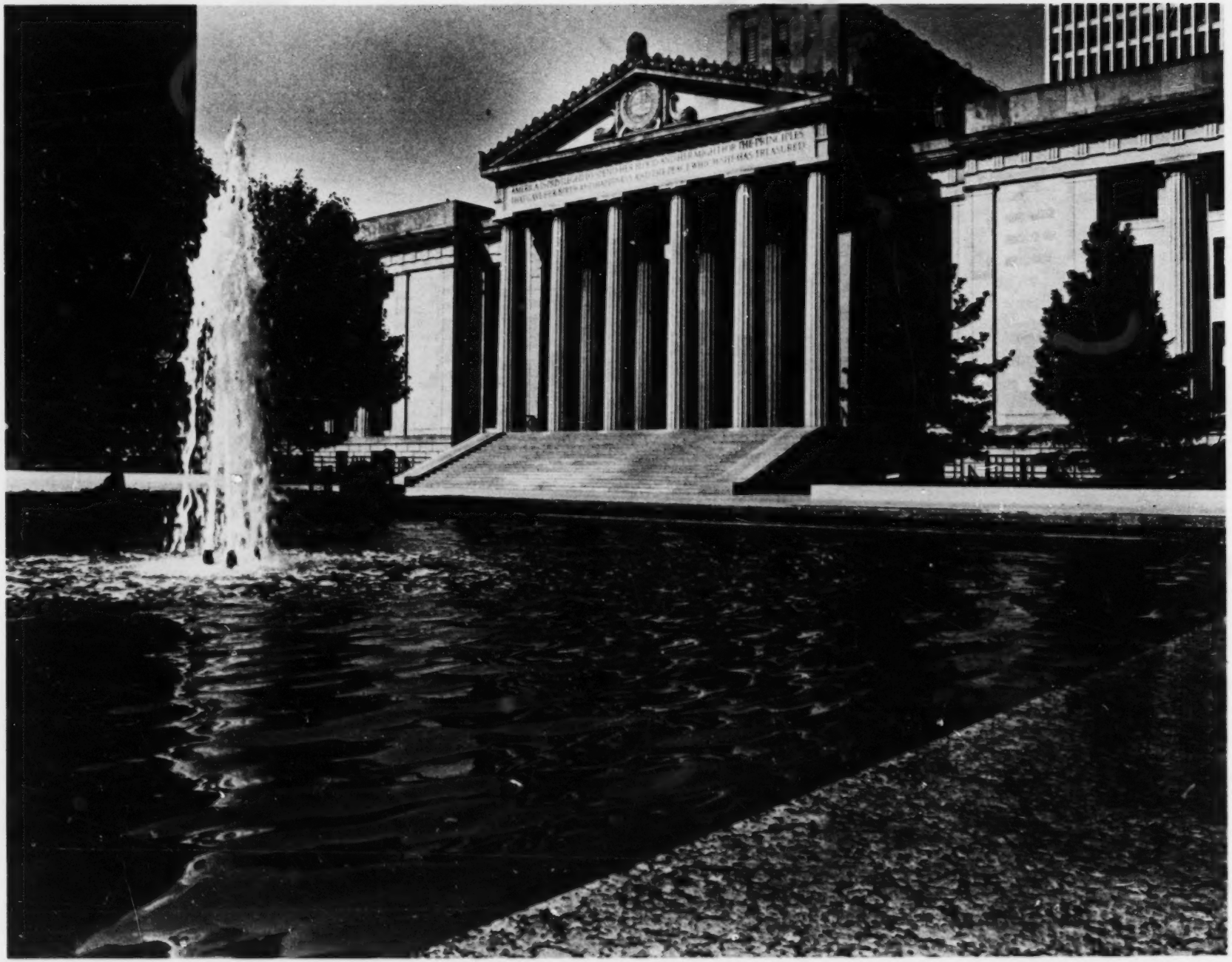
	1977	1978	1979	1980	1981
CURRENT DOLLARS	**$2494**	**$2676**	**$2989**	**$3474**	**$3712**
CONSTANT DOLLARS (1967)	$1483	$1474	$1530	$1596	$1503
PERCENT INCREASE OVER PRIOR YEAR IN CURRENT DOLLARS	3.4%	7.3%	11.7%	18.2%	6.9%
PERCENT INCREASE (DECREASE) OVER PRIOR YEAR IN CONSTANT DOLLARS	(2.3%)	.6%	3.8%	4.3%	(5.8%)

NOTE: EXPENDITURES EXPRESSED IN CONSTANT DOLLARS WERE DERIVED BY USING THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS.

STATE OF TENNESSEE
ORGANIZATION CHART
JUNE 30, 1981



THE PREPARATION OF THIS REPORT WAS FINANCED IN PART THROUGH A COMPREHENSIVE PLANNING GRANT FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



The War Memorial Building in Nashville

FINANCIAL STATEMENTS

The following sections include combined and individual financial statements for the various funds maintained by the State of Tennessee.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219
PHONE (615) 741-3697

October 30, 1981

Mr. W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the combined financial statements of the State of Tennessee and the combining and individual financial statements of the funds and account groups of the State as of and for the year ended June 30, 1981 as listed in the foregoing table of contents. Our examination was made in accordance with generally accepted government auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Notes 1 and 2 to the financial statements, the State of Tennessee is in the process of establishing appropriate records for the General Fixed Assets Account Group. Because of the lack of detail records to support the amounts recorded as of June 30, 1978, we were unable to satisfy ourselves as to the balances in general fixed assets; however, we were able to satisfy ourselves on the changes in general fixed assets since July 1, 1978.

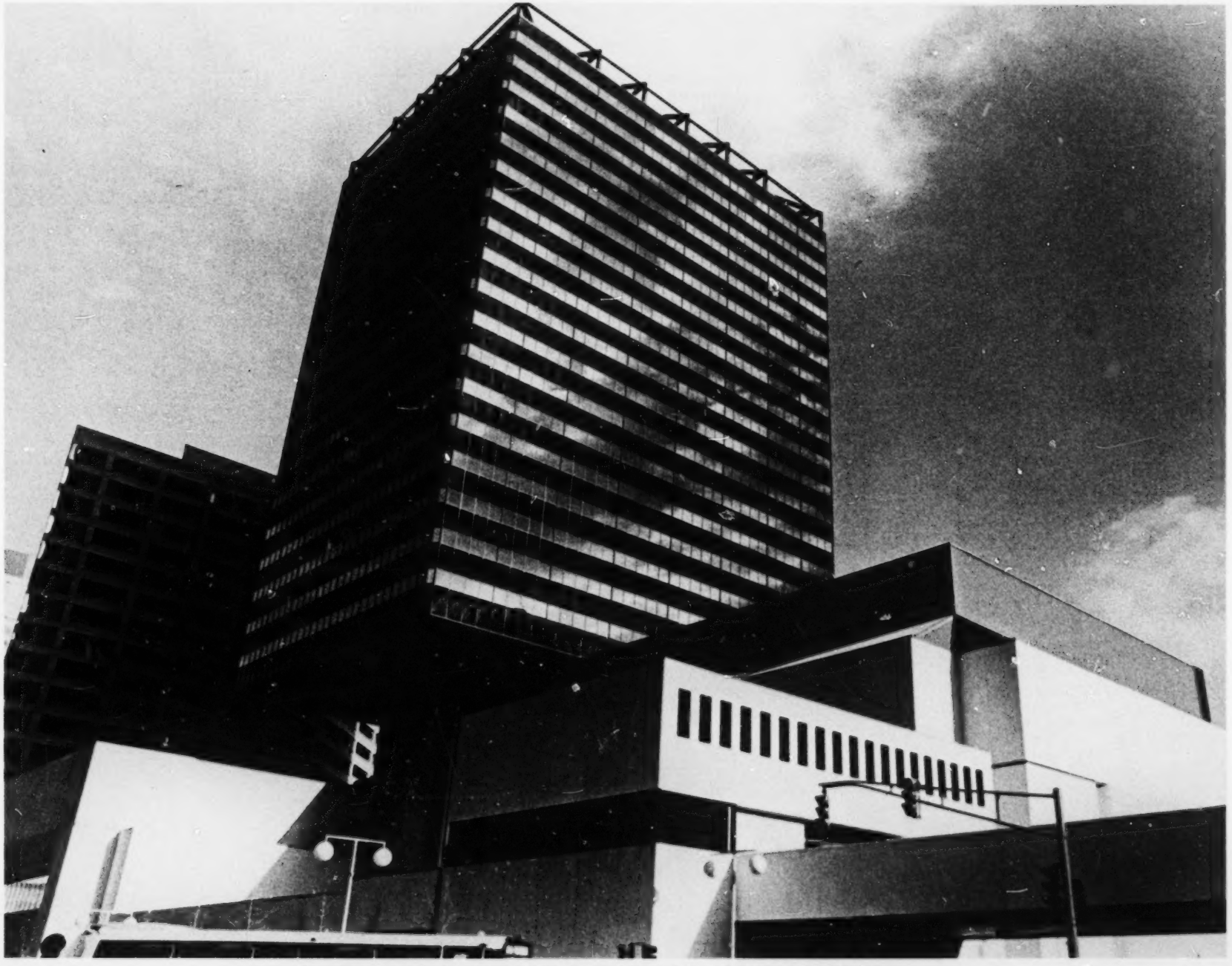
In our opinion, except for the effect of the matter discussed in the preceding paragraph, the combined financial statements present fairly the financial position of the State of Tennessee at June 30, 1981 and the results of its operations and the changes in financial position of the proprietary and similar trust fund types for the year then ended and the combining and individual financial statements of the funds and account groups present fairly the financial position of the individual funds of the State of Tennessee at June 30, 1981 and the results of their operations and the changes in financial position of the proprietary and similar trust funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The statistical and economic data, listed in the foregoing table of contents, were not audited by us and, accordingly, we do not express an opinion thereon.

Respectfully,

Frank L. Greathouse

Frank L. Greathouse, CPA, Director
Division of State Audit



The Tennessee Performing Arts Center and State Office Building in Nashville

COMBINED STATEMENTS

Combined Statements provide a summary overview of the financial position of all funds and account groups and of the operating results by fund type. They also serve as an introduction to the more detailed statements and schedules that follow.

STATE OF TENNESSEE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1981

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		COLLEGE AND UNIVERSITY FUND TYPES			TOTALS (MEMORANDUM ONLY)	
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS (Notes 1, 2)	GENERAL LONG-TERM DEBT (Note 3)	CURRENT	FIDUCIARY	PLANT	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$ 98,160	$219,808	$15,056	$81,396	$ 88,388	$ 16,772	$ 225,856			$100,839	$ 8,226	$ 39,026	$ 893,527	$1,045,067
CASH ON DEPOSIT WITH FISCAL AGENTS		164,877				362						17,309	182,548	272,719
INVESTMENTS					44,220	110,310	1,974,586			89	31,870	2,500	2,163,575	1,784,893
RECEIVABLES (Note 1)	104,223	57,135		1,178	507,688	417	63,483			60,676	37,858	80,495	913,153	778,422
INTERFUND RECEIVABLES (Note 2)	400						10,778			13,061	187	21,433	45,859	39,704
INVENTORIES		6,247			402	3,762				16,009			26,420	25,200
PREPAYMENTS			3			79							82	80
LAND								$ 46,362				47,572	93,934	97,742
STRUCTURES AND IMPROVEMENTS								602,498				830,162	1,432,660	1,168,017
MACHINERY AND EQUIPMENT					849	31,538		183,010				213,848	429,245	411,296
LESS - ACCUMULATED DEPRECIATION					(497)	(19,508)							(20,005)	(17,357)
CONSTRUCTION IN PROGRESS								25,379				26,544	51,923	210,498
AMOUNT AVAILABLE IN DEBT SERVICE FUND									$ 2,897				2,897	2,821
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT									587,298				587,298	600,199
DEFERRED CHARGES AND OTHER					8,947	1,952				1,181	1,973	196	14,249	14,314
TOTAL ASSETS	$202,783	$448,067	$15,059	$82,574	$649,997	$145,684	$2,274,703	$857,249	$590,195	$191,855	$80,114	$1,279,085	$6,817,365	$6,433,615
LIABILITIES AND FUND EQUITY														
LIABILITIES:														
WARRANTS PAYABLE	$ 36,124	$ 15,042	$ 3	$ 3,343	$ 2,048	$ 967	$ 17,077						$ 74,604	$ 100,320
ACCOUNTS PAYABLE AND ACCRUALS	110,021	54,197	363	7,865	14,173	5,075	110,409			$ 36,045	$ 286	$ 3,036	341,470	362,893
INTERFUND PAYABLES (Note 2)	3,859	710			28	70	3			40,220	823	146	45,859	39,704
NOTES PAYABLE (Note 3)					49,730	102					16	37,578	87,426	63,533
BONDS PAYABLE (Note 3)					549,685	110,990			$590,195			177,623	1,428,493	1,357,324
CALL PREMIUMS PAYABLE						1,533							1,533	3,867
OTHER	787	221		385	433	279	40,100			22,321	979		65,505	48,582
TOTAL LIABILITIES	150,791	70,170	366	11,593	616,097	119,016	167,589		590,195	98,586	2,104	218,383	2,044,890	1,976,623
FUND EQUITY:														
CONTRIBUTED CAPITAL					3,483	21,683							25,166	27,876
INVESTMENT IN GENERAL FIXED ASSETS								$857,249				904,914	1,762,163	1,661,144
RETAINED EARNINGS:														
RESERVED FOR BOND RETIREMENT					11,778								11,778	10,176
UNRESERVED					18,639	4,985							23,624	13,976
FUND BALANCES (Note 1):														
RESERVED FOR:														
RELATED ASSETS		6,247								52,673			58,920	45,689
ENCUMBRANCES AND CONTRACTS	5,510	138,499		32,587						7,267			183,863	192,331
CONTINUING APPROPRIATIONS	6,711												6,711	3,864
APPROPRIATION AND OTHER REQUIREMENTS	5,404												5,404	29,200
OTHER SPECIFIC PURPOSES	8,233	223,283	11,796	38,394			2,092,314			20,682	75,849	125,990	2,596,541	2,353,056
UNRESERVED:														
DESIGNATED FOR REVENUE FLUCTUATIONS	22,500												22,500	31,000
DESIGNATED FOR CLAIMS AGAINST THE STATE	3,000												3,000	3,000
DESIGNATED FOR HIGHWAY CONSTRUCTION		9,868											9,868	6,823
DESIGNATED FOR DEBT SERVICE			2,897										2,897	2,821
DESIGNATED FOR TRUST PURPOSES							14,800				2,161		16,961	15,906
DESIGNATED FOR COLLEGES AND UNIVERSITIES										12,647		29,798	42,445	59,597
UNDESIGNATED	634												634	533
TOTAL FUND EQUITY	51,992	377,897	14,693	70,981	33,900	26,668	2,107,114	857,249		93,269	78,010	1,060,702	4,772,475	4,456,992
TOTAL LIABILITIES AND FUND EQUITY	$202,783	$448,067	$15,059	$82,574	$649,997	$145,684	$2,274,703	$857,249	$590,195	$191,855	$80,114	$1,279,085	$6,817,365	$6,433,615

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	JUNE 30, 1981	JUNE 30, 1980
REVENUES:							
TAXES	$1,529,475	$335,611	$90,945			$1,956,031	$1,891,741
LICENSES, FEES AND PERMITS	25,829	14,530				40,359	38,260
INTEREST ON INVESTMENTS	60,975	17,886			$ 2,812	81,673	93,304
FEDERAL	919,840	337,100	96	$ 2,518		1,259,554	1,150,746
DEPARTMENTAL SERVICES	166,387	15,307		525		182,219	170,570
CONTRIBUTIONS					45,157	45,157	44,204
OTHER	5,954	1,858	5			7,817	10,083
TOTAL REVENUES	2,708,460	722,292	91,046	3,043	47,969	3,572,310	3,398,908
EXPENDITURES:							
CURRENT:							
GENERAL GOVERNMENT	174,804	4,380			44,868	224,052	212,961
EDUCATION	1,282,952	695				1,283,647	1,230,510
HEALTH AND SOCIAL SERVICES	1,028,512	355,818				1,384,330	1,197,936
LAW, JUSTICE AND PUBLIC SAFETY	162,520	195				162,715	145,516
RECREATION AND RESOURCES DEVELOPMENT	56,167	12,199				68,366	64,538
REGULATION OF BUSINESS AND PROFESSIONS	14,245					14,245	13,808
TRANSPORTATION		447,850				447,850	479,599
DEBT SERVICE			80,774			80,774	78,104
CAPITAL OUTLAY				90,978		90,978	89,383
TOTAL EXPENDITURES	2,719,200	821,137	80,774	90,978	44,868	3,756,957	3,512,355
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,740)	(98,845)	10,272	(87,935)	3,101	(184,147)	(113,447)
OTHER FINANCING SOURCES (USES):							
PROCEEDS FROM BOND SALE				38,300		38,300	
OPERATING TRANSFERS IN		9,400	1,600	21,474		32,474	53,199
OPERATING TRANSFERS OUT	(25,911)	(29)	(14,200)			(40,140)	(59,816)
TOTAL OTHER FINANCING SOURCES (USES)	(25,911)	9,371	(12,600)	59,774		30,634	(6,617)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(36,651)	(89,474)	(2,328)	(28,161)	3,101	(153,513)	(120,064)
FUND BALANCES, JULY 1	84,466	467,371	17,021	99,142	19,006	687,006	807,070
EQUITY TRANSFERS, NET	4,177					4,177	
FUND BALANCES, JUNE 30 (Note 2)	$ 51,992	$377,897	$14,693	$70,981	$22,107	$ 537,670	$ 687,006

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND AND BUDGETED SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	GENERAL FUND			BUDGETED SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:									
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 88,719	$ 88,719		$ 18,128	$ 18,128		$ 106,847	$ 106,847	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	7,695	7,695		205,683	205,683		213,378	213,378	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	96,414	96,414		223,811	223,811		320,225	320,225	
REVENUES:									
TAXES	1,522,993	1,529,475	$ 6,482	182,600	181,711	($ 889)	1,705,593	1,711,186	$ 5,593
LICENSES, FEES AND PERMITS	25,527	25,829	302	13,467	14,530	1,063	38,994	40,359	1,365
INTEREST ON INVESTMENTS	62,470	60,975	(1,495)				62,470	60,975	(1,495)
FEDERAL	1,006,312	926,301	(80,011)	259,924	260,099	175	1,266,236	1,186,400	(79,836)
DEPARTMENTAL SERVICES	167,062	170,198	3,136	9,866	13,027	3,161	176,928	183,225	6,297
OTHER	3,130	5,954	2,824	1,600	1,858	258	4,730	7,812	3,082
OTHER FINANCING SOURCES - TRANSFERS IN	4,189	4,189		9,510	9,510		13,699	13,699	
TOTAL SOURCES OF FINANCIAL RESOURCES	2,888,097	2,819,335	(68,762)	700,778	704,546	3,768	3,588,875	3,523,881	(64,994)
USES OF FINANCIAL RESOURCES:									
EXPENDITURES AND ENCUMBRANCES:									
GENERAL GOVERNMENT	192,964	175,897	17,067	4,393	4,388	5	197,357	180,285	17,072
EDUCATION	1,326,955	1,285,582	41,373	700	695	5	1,327,655	1,286,277	41,378
HEALTH AND SOCIAL SERVICES	1,091,421	1,035,687	55,734				1,091,421	1,035,687	55,734
LAW, JUSTICE AND PUBLIC SAFETY	179,029	163,098	15,931	284	195	89	179,313	163,293	16,020
RECREATION AND RESOURCES DEVELOPMENT	62,327	56,824	5,503	13,030	12,502	528	75,357	69,326	6,031
REGULATION OF BUSINESS AND PROFESSIONS	15,475	14,271	1,204				15,475	14,271	1,204
TRANSPORTATION				671,157	663,753	7,404	671,157	663,753	7,404
OTHER FINANCING USES - TRANSFERS OUT	25,923	25,923		139	139		26,062	26,062	
TOTAL USES OF FINANCIAL RESOURCES	2,894,094	2,757,282	136,812	689,703	681,672	8,031	3,583,797	3,438,954	144,843
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	($ 5,997)	$ 62,053	$ 68,050	$ 11,075	$ 22,874	$11,799	$ 5,078	$ 84,927	$ 79,849

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1981	JUNE 30, 1980
OPERATING REVENUES:						
CHARGES FOR SERVICES	$ 3,831	$29,348			$ 33,179	$ 28,627
INVESTMENT INCOME	48,717	5,848	$ 666	$ 162,071	217,302	166,387
INTERGOVERNMENTAL	14,451		1,562		16,013	10,051
CONTRIBUTIONS				323,708	323,708	308,993
OTHER		25	469		494	135
TOTAL OPERATING REVENUES	66,999	35,221	2,697	485,779	590,696	514,193
OPERATING EXPENSES:						
PERSONAL SERVICES	3,051	8,335			11,386	10,808
CONTRACTUAL SERVICES	1,592	2,405		11,560	15,557	14,493
MATERIALS AND SUPPLIES	1,553	11,562			13,115	10,439
RENTALS AND INSURANCE	70	4,042			4,112	3,029
GRANTS AND SUBSIDIES	9,819		6,564		16,383	11,993
INTEREST	39,114	6,025			45,139	33,553
DEPRECIATION AND AMORTIZATION	425	4,095			4,520	4,565
BENEFITS				125,477	125,477	114,730
REFUNDS				21,878	21,878	21,677
OTHER	243	338	801		1,382	1,118
TOTAL OPERATING EXPENSES	55,867	36,802	7,365	158,915	258,949	226,405
OPERATING INCOME (LOSS)	11,132	(1,581)	(4,668)	326,864	331,747	287,788
OPERATING TRANSFERS IN	678	1,613	5,346	29	7,666	6,617
NET INCOME/CHANGE IN RETAINED EARNINGS	11,810	32	678	326,893	339,413	294,405
OTHER CHANGES IN FUND EQUITY:						
EQUITY TRANSFERS IN (OUT)	(4,189)	12			(4,177)	
CONTRIBUTED EQUIPMENT		875			875	677
NET CHANGE IN FUND EQUITY	7,621	919	678	326,893	336,111	295,082
FUND EQUITY, JULY 1	26,279	25,749	11,840	1,745,596	1,809,464	1,514,382
FUND EQUITY, JUNE 30	$33,900	$26,668	$12,518	$2,072,489	$2,145,575	$1,809,464

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	JUNE 30, 1981	JUNE 30, 1980
SOURCES OF WORKING CAPITAL:						
OPERATIONS:						
NET INCOME	$ 11,810	$ 32	$ 678	$326,893	$339,413	$294,405
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	425	4,095			4,520	4,565
WORKING CAPITAL PROVIDED BY OPERATIONS	12,235	4,127	678	326,893	343,933	298,970
PROCEEDS FROM SALE OF BONDS	96,270				96,270	105,805
DECREASE IN LONG-TERM INVESTMENTS		58,050			58,050	
DISPOSAL OF MACHINERY AND EQUIPMENT		421			421	460
EQUITY TRANSFERS IN		12			12	
TOTAL SOURCES OF WORKING CAPITAL	108,505	62,610	678	326,893	498,686	405,235
USES OF WORKING CAPITAL:						
PURCHASE OF LONG-TERM INVESTMENTS	5,631	77			5,708	16,047
INCREASE IN NONCURRENT RECEIVABLES	124,530				124,530	94,236
INCREASE IN DEFERRED CHARGES	745				745	1,885
ACQUISITION OF MACHINERY AND EQUIPMENT	7	3,138			3,145	3,790
DECREASE IN LONG-TERM DEBT	11,210	60,339			71,549	8,165
EQUITY TRANSFER OUT	4,189				4,189	
TOTAL USES OF WORKING CAPITAL	146,312	63,554			209,866	124,123
NET INCREASE (DECREASE) IN WORKING CAPITAL	($ 37,807)	($ 944)	$ 678	$326,893	$288,820	$281,112
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:						
CASH AND CASH EQUIVALENTS	($ 30,185)	$ 3,304	$2,079	($ 36,290)	($ 61,092)	$ 2,784
CASH ON DEPOSIT WITH FISCAL AGENT		(1,239)			(1,239)	1,201
INVESTMENTS		58,050		372,565	430,615	262,692
RECEIVABLES	(1,490)	172	(966)	6,558	4,274	(7,536)
INTERFUND RECEIVABLES				347	347	(59)
INVENTORIES	(39)	(927)			(966)	431
PREPAID EXPENSES		2			2	64
WARRANTS PAYABLE	(473)	(423)	(22)	1,119	201	(1,568)
ACCOUNTS PAYABLE AND ACCRUALS	856	(1,883)	31	(17,406)	(18,402)	(8,155)
INTERFUND PAYABLES	(1)	(3)			(4)	(9)
NOTES PAYABLE	(3,059)	23			(3,036)	34,058
CURRENT PORTION OF LONG-TERM DEBT	(3,115)	(58,005)			(61,120)	(2,625)
OTHER	(301)	(15)	(444)		(760)	(166)
NET INCREASE (DECREASE) IN WORKING CAPITAL	($ 37,807)	($ 944)	$ 678	$326,893	$288,820	$281,112

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	CURRENT FUNDS	FIDUCIARY FUNDS	PLANT FUNDS	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED JUNE 30, 1981	TOTALS (MEMORANDUM ONLY) FOR THE YEAR ENDED JUNE 30, 1980
REVENUES AND OTHER ADDITIONS:					
UNRESTRICTED CURRENT FUND REVENUES:					
GENERAL	$429,899			$ 429,899	$ 402,594
AUXILIARY ENTERPRISES AND HOSPITALS	156,143			156,143	131,627
RESTRICTED GIFTS, GRANTS AND CONTRACTS	155,476	$ 3,735	$ 58,312	217,523	156,321
INVESTMENT AND INTEREST INCOME		2,476	4,150	6,626	6,126
GOVERNMENTAL GRANTS AND CONTRACTS		3,040	410	3,450	3,312
STUDENT DEBT SERVICE FEES			4,356	4,356	4,265
GOVERNMENTAL APPROPRIATIONS			22,036	22,036	31,948
EXPENDED FOR PLANT FACILITIES			91,075	91,075	69,634
RETIREMENT OF INDEBTEDNESS			4,250	4,250	4,246
OTHER ADDITIONS	3,249	109	1,955	5,313	15,871
TOTAL REVENUES AND OTHER ADDITIONS	744,767	9,360	186,544	940,671	825,944
EXPENDITURES AND OTHER DEDUCTIONS:					
EDUCATIONAL AND GENERAL EXPENDITURES	568,137			568,137	514,291
AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES	142,882			142,882	115,958
INDIRECT COSTS RECOVERED	9,764			9,764	9,476
REFUNDS TO GRANTORS	857	203		1,060	2,357
ADMINISTRATIVE COSTS		302		302	188
LOAN CANCELLATIONS		1,592		1,592	717
PAYMENTS TO BENEFICIARIES		768		768	744
EXPENDED FOR PLANT FACILITIES			65,574	65,574	47,542
RETIREMENT OF INDEBTEDNESS			4,247	4,247	4,069
INTEREST PAYMENTS			10,949	10,949	10,603
DISPOSAL OF PLANT FACILITIES			14,698	14,698	10,533
NOTES ISSUED			21,204	21,204	15,004
OTHER DEDUCTIONS	8,442	1,479	2,007	11,928	12,902
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	730,082	4,344	118,679	853,105	744,384
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)	(13,240)	335	12,905		
NET INCREASE IN FUND BALANCES	1,445	5,351	80,770	87,566	81,560
FUND BALANCES, JULY 1	91,824	72,659	979,932	1,144,415	1,062,855
FUND BALANCES, JUNE 30	$ 93,269	$78,010	$1,060,702	$1,231,981	$1,144,415

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	TOTALS FOR THE YEAR ENDED	
	JUNE 30, 1981	JUNE 30, 1980
REVENUES:		
TUITION AND FEES	$ 91,159	$ 76,529
FEDERAL APPROPRIATIONS, GRANTS AND CONTRACTS	92,836	82,399
STATE APPROPRIATIONS, GRANTS AND CONTRACTS (Note 1)	330,379	318,073
PRIVATE GIFTS, GRANTS AND CONTRACTS	16,877	13,956
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	17,088	14,210
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	157,947	133,515
OTHER SOURCES	25,859	22,536
TOTAL CURRENT REVENUES	732,145	661,218
EXPENDITURES:		
INSTRUCTION	258,924	233,401
RESEARCH	55,254	48,997
PUBLIC SERVICE	41,795	39,023
ACADEMIC SUPPORT	52,459	49,660
STUDENT SERVICES	36,941	33,462
INSTITUTIONAL SUPPORT	55,322	49,897
OPERATION AND MAINTENANCE OF PLANT	54,257	48,037
SCHOLARSHIPS AND FELLOWSHIPS	13,185	11,746
AUXILIARY ENTERPRISES AND HOSPITALS	142,882	115,958
OTHER		68
TOTAL CURRENT EXPENDITURES	711,019	630,249
EXCESS OF REVENUES OVER EXPENDITURES	21,126	30,969
OTHER FINANCING USES:		
TRANSFERS TO PLANT FUNDS	12,905	23,802
TRANSFERS TO FIDUCIARY FUNDS	335	233
MISCELLANEOUS	6,441	1,121
TOTAL OTHER FINANCING USES	19,681	25,156
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	1,445	5,813
FUND BALANCES, JULY 1	91,824	86,011
FUND BALANCES, JUNE 30	$ 93,269	$ 91,824

See accompanying Notes to the Financial Statements.

Far Hills, the official residence of the Governor of the State of Tennessee

NOTES TO THE STATEMENTS

The notes to the financial statements contain a summary of significant accounting policies and other notes considered necessary for a clearer understanding of the financial statements.

STATE OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1981

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by (1) Statement 1, Governmental Accounting and Financial Reporting Principles (GAFR, 1979) by the National Council on Governmental Accounting and (2) Audits of State and Local Governmental Units (ASLGU, 1974) by the American Institute of Certified Public Accountants. The financial statements for the College and University Funds have been prepared in conformity with generally accepted accounting principles as prescribed by (1) the National Association of College and University Business Officers in College and University Business Administration (1974) and (2) the American Institute of Certified Public Accountants in Audits of Colleges and Universities (1973). The accompanying statements include all funds, account groups, boards, commissions, agencies, authorities, colleges and universities that are controlled by the state. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

B. Fund Structure and Basis of Accounting - The accompanying financial statements are structured into four categories of funds and a fifth type of accounting entity, account groups. The fund categories include governmental funds, proprietary funds, fiduciary funds and college and university funds. Account groups are presented for general fixed assets and general long-term debt.

The state's governmental funds include:

1. the General Fund - used to account for all financial transactions not accounted for in another fund;
2. the Special Revenue Funds - used to account for specific revenues earmarked to finance particular programs and activities;
3. the Debt Service Fund - used to account for the payment of principal and interest on general long-term debt; and
4. the Capital Projects Fund - used to account for the acquisition or construction of all major governmental general fixed assets.

All of the governmental funds are accounted for on the modified accrual basis of accounting. In applying the modified accrual basis, revenues are recorded as received and expenditures are recorded at the time liabilities are incurred, except:

a. Federal revenues (grants and revenue sharing) are recorded as earned;
b. Interest on the State Treasurer's investments is recorded as earned;
c. Inventories generally are considered expenditures at acquisition;
d. Prepayments usually are not recorded; and
e. Interest on long-term debt is recorded when due.

Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end are reported as reservations of fund balance for subsequent year expenditure.

The proprietary funds include:

1. the Enterprise Funds - used to account for the operations of self-sustaining state agencies rendering service to the general public on a user charge basis; and
2. the Internal Service Funds - used to account for the operations of self-sustaining state agencies rendering services to other state agencies on a cost reimbursement basis.

The proprietary funds are accounted for on the accrual basis of accounting.

The fiduciary funds include the Trust and Agency Funds which are used to account for assets held by the state as trustee or agent. Nonexpendable and Pension Trust Funds are accounted for on the accrual basis of accounting. Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting.

The college and university funds include:

1. Current Funds - used to account for unrestricted funds over which the governing boards retain full control in achieving the institutions' purposes and restricted funds which may be utilized only in accordance with externally-restricted purposes;
2. Fiduciary Funds - used to account for assets held by loan, endowment, life income and agency funds in which the universities act in a fiduciary capacity; and
3. Plant Funds - used to account for institutional property acquisition, renewal, replacement, debt service and investment.

The college and university funds are accounted for on the accrual basis of accounting.

C. Budget - The state's annual budget is prepared principally on the cash basis and represents departmental appropriations as authorized by the Appropriation Act of 1980 and any authorized revisions during the year to reflect changes in programs and activities. These revisions require executive branch approval by the Commissioner of Finance and Administration as well as legislative branch action through the Joint Finance, Ways and Means Committee. Budgetary control is maintained at the organizational unit level. Unencumbered appropriations lapse at the end of each fiscal year. In order to provide sufficient funding for several programs (primarily Medicaid) during the year, supplemental appropriations of $18.3 million were required.

Since the budget basis differs from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented in Note 2. The budgetary comparison statement includes the General Fund, the Highway Fund and five other minor Special Revenue Funds. Each of the agencies classified as Other Special Revenue Funds has individually complied with authorized appropriations and revisions. The state's annual budget does not include the Employment Security Special Revenue Fund. This fund is financed entirely by the Federal government. As a result, the program level is prescribed by the funding source. During the year the Employment Security program adhered to fiscal constraints and spending limitations imposed by the Federal government.

D. Cash and Cash Equivalents - In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements and U.S. Treasury bills. These investments are stated at cost which at June 30, 1981 approximated market.

E. Investments - This classification includes long-term investments, principally the Pension Trust Fund portfolio, which are stated at cost or amortized cost aggregating $2.16 billion. At June 30, 1981 the market value of these investments approximated $1.95 billion. Debt securities included in this classification are expected to be held to maturity and redeemed at face value.

F. Receivables - Receivables in the state's governmental and fiduciary funds primarily consist of interest and federal revenue, both recorded when earned. Since few governmental fund revenues are susceptible to accrual prior to receipt, most taxes, licenses, fees, permits and similar revenues are recognized on the cash basis. Certain Special Revenue Fund receivables of $17 million, representing erroneous benefit payments, have been reduced by a $12 million allowance for uncollectibles. Receivables in all other funds have arisen in the ordinary course of business. College and University Current Fund receivables of $66 million have been reduced by a $5 million uncollectible allowance. College and University Plant Fund receivables of $80 million represent proceeds due from authorized general obligation and revenue bond issues to be sold to fund approved construction projects in progress.

G. Interfund Transactions - The state basically has three types of interfund transactions, as follows:

1. Services rendered and employee benefit contributions. These transactions are accounted for as revenues, expenditures or expenses in the funds involved.
2. Operating appropriations/subsidies. These are accounted for as operating transfers in the funds involved with the exception of the annual appropriations to the colleges and universities ($298.1 million and $290.8 million in 1981 and 1980, respectively) which are accounted for as revenues and expenditures in the funds involved.
3. Equity contributions. These are accounted for as equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund contributed capital).

The composition of the state's interfund receivables and payables at June 30, 1981 is presented in Note 2.

H. Inventories - Inventories of materials and supplies are determined by physical count and are valued at the lower of cost (principally average cost) or market.

I. Fixed Assets and Depreciation - Governmental general fixed assets acquired or constructed during the year ended June 30, 1981 are stated at cost in the General Fixed Assets Account Group. Interest during construction is not capitalized. Also, certain public domain fixed assets (including highways, bridges, highway lands and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets. Fixed assets in the Enterprise and Internal Service Funds, consisting of machinery and equipment, are stated at cost and are depreciated principally on a straight-line basis over estimated useful lives ranging from 5 to 10 years. Although certain enterprise and internal service operations are located in separate state buildings on state land, these fixed assets are reported in the General Fixed Asset Account Group at estimated historical cost as described hereafter. Because of the advanced age of the buildings involved, the omission of these fixed assets and related depreciation is not deemed material to the financial position or results of operations of the applicable Enterprise and Internal Service Funds. Fixed assets in the College and University Funds are also stated at cost and are not depreciated.

Historical cost records for governmental general fixed assets acquired or constructed prior to fiscal year 1979 are incomplete or not available. Accordingly, the best estimates of historical costs have been used. It is probable that all state-owned land is not recorded. Although the omissions are not deemed to be material, a detailed inventory of land and buildings is being conducted. Also, the state is continuing the development of appropriate accounting records for all general fixed assets.

A statement of changes in general fixed assets for the year ended June 30, 1981 is presented in Note 2.

J. Fund Balance Reserves and Designations - The state's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure or (2) legally segregated for a specific future use. In the accompanying Combined Balance Sheet, reserves for related assets such as inventories, petty cash and receivables are examples of the former. Reserves for encumbrances, contracts, continuing appropriations, future appropriations and other specific purposes are examples of the latter.

A descriptive summary of the major reserves by fund type at June 30, 1981 follows (expressed in thousands).

Reserved For	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	College and University Current	College and University Fiduciary	College and University Plant
Other Specific Purposes:								
Casualty Losses	$3,500							
Capital Outlay and Bond Cancellation			$11,796	$38,394				$125,990
Highways, City Streets and County Roads		$ 63,418						
Unemployment Benefits		153,129						
Pension Benefits					$2,072,489			
Restricted Gifts, Grants and Contracts						$19,114	$75,849	
Other	4,733	6,736			19,825	1,568		
Totals	$8,233	$223,283	$11,796	$38,394	$2,092,314	$20,682	$75,849	$125,990

The state's fund balance designations reflect tentative plans for future use of financial resources. The General Fund designation for revenue fluctuations has been established as protection in the event of future revenue shortfalls or expenditure overruns. The designation for claims against the state is for general contingencies.

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Budgetary Basis vs. GAAP - The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and Budgeted Special Revenue Fund Types presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands).

	General Fund	Budgeted Special Revenue Funds
Fund Balances (Budgetary Basis), June 30, 1981	$62,053	$ 22,874
Add (Deduct):		
Accrued revenues	33,317	8,859
Accrued expenditures	(48,495)	(15,655)
Reserve for encumbrances and contracts	5,510	138,499
Other fund balance reserves	(393)	70,191
Fund balance of the Employment Security Fund, for which an annual budget is not legally adopted		153,129
Fund Balances (GAAP Basis), June 30, 1981	$51,992	$377,897

There were no expenditures in excess of appropriations in the state's individual governmental funds for the year.

B. General Fixed Assets - A statement of changes in general fixed assets for the year ended June 30, 1981 is shown below (expressed in thousands).

	Land	Structures and Improvements	Machinery and Equipment	Construction in Progress	Totals
Balance, July 1, 1980	$51,782	$396,522	$179,741	$188,062	$816,107
Additions	2,777	207,072	17,679	43,572	271,100
Deductions	(8,197)	(1,096)	(14,410)	(206,255)	(229,958)
Balance, June 30, 1981	$46,362	$602,498	$183,010	$ 25,379	$857,249
Investment in General Fixed Assets:					
Prior to July 1, 1978	$37,406	$342,171	$124,021	$ 4,708	$508,306
Subsequent to June 30, 1978	8,956	260,327	58,989	20,671	348,943
Balance, June 30, 1981	$46,362	$602,498	$183,010	$ 25,379	$857,249

As indicated, approximately 41% of the state's investment in general fixed assets has occurred subsequent to June 30, 1978. As previously stated, records of general fixed assets acquired prior to that time are either incomplete or not available.

C. Pension Trust Fund Reserves - A summary of changes in the Pension Trust Fund reserves for the year ended June 30, 1981 follows (expressed in thousands).

	Reserved For		
	Member Contributions	Employer Contributions	Totals
Operating Revenues	$ 95,229	$ 390,550	$ 485,779
Operating Expenses	21,891	137,024	158,915
Operating Income	73,338	253,526	326,864
Operating Transfer In		29	29
Net Income	73,338	253,555	326,893
Fund Balance, July 1	516,733	1,228,863	1,745,596
Fund Balance, June 30 (Note 1J)	$590,071	$1,482,418	$2,072,489

D. Segment Information - Segment financial information for the state's Enterprise Funds for the year ended June 30, 1981 is presented below (expressed in thousands).

	Housing Development Agency	Industrial Development Authority	Industries for the Blind	Sewage Treatment Facilities	Other	Totals
Total Operating Revenues	$ 54,365	$251	$1,609	$ 9,362	$1,412	$ 66,999
Net Income (Loss)	$ 9,512	$165	($ 226)	$ 2,235	$ 124	$ 11,810
Total Assets, June 30, 1981	$508,565	$ 7	$1,027	$138,776	$1,622	$649,997
Notes and Bonds Payable, June 30, 1981	$469,930	$ -	$ -	$129,485	$ -	$599,415
Fund Equity, June 30, 1981	$ 27,416	$ -	$ 867	$ 4,126	$1,491	$ 33,900

Although certain enterprise funds sustained net losses for the year and have retained earnings deficits, all individual enterprise funds have positive fund equity balances at June 30, 1981.

Effective July 1, 1981 the Tennessee Industrial Development Authority was abolished and its net assets were transferred to the General Fund. This transfer has been reflected in the accompanying financial statements as of June 30, 1981. Future programs of the authority (promoting the development and expansion of industrial resources in underdeveloped areas of the state) will be administered by the Department of Economic and Community Development from resources appropriated within the General Fund.

E. Interfund Accounts - A summary of interfund receivables and payables at June 30, 1981 is shown below (expressed in thousands).

	RECEIVABLES							
		Fiduciary Fund Types			College and University Fund Types			
Payables	General Fund	Employee Group Insurance	Pension Trust	Contingent Revenue	Current	Fiduciary	Plant	Totals
General			$1,953	$1,906				$ 3,859
Special Revenue			357	353				710
Enterprise			13	15				28
Internal Service			34	36				70
Trust and Agency			2	1				3
College and University:								
Current		$1,403	2,154	2,551	$12,492	$187	$21,433	40,220
Fiduciary	$400				423			823
Plant					146			146
Totals	$400	$1,403	$4,513	$4,862	$13,061	$187	$21,433	$45,859

NOTE 3 - NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 1981 are shown below.

	Amount (in Thousands) Notes	Bonds
Enterprise Funds:		
General obligation bond anticipation notes, 5.4% due August 1981	$49,490	
General obligation bonds, 4.875% to 7.5%, due in generally decreasing amounts of principal and interest ranging from a maximum of $6.8 million in 1989 to $1.4 million in 2010.		$ 79,995
Construction loan program notes, to 4.625%, due December 1981	240	
Mortgage finance program revenue bonds, various Series, 4% to 8.6%, due in generally decreasing amounts of principal and interest ranging from a maximum of $43.5 million in 1985 to $1.0 million in 2018		469,690
	49,730	549,685
Internal Service Funds:		
Installment notes, due in 1982	102	
Tennessee State School Bond Authority 1972 and 1977 refunding revenue bonds, 4.6% to 6.6%, crossover dates of May 1982 and May 1986, respectively, principal and interest due thereafter in generally decreasing amounts ranging from a maximum of $9.2 million in 1987 to $1.0 million in 2011		110,990
	102	110,990
General Long-Term Debt:		
General obligation bonds, .1% to 7.4%, due in decreasing amounts of principal and interest from $79.5 million in 1982 to $2.1 million in 2000		590,195
College and University Funds:		
Endowment Fund notes, due within one year	16	
Tennessee State School Bond Authority notes, 3.3%, due July 1982 and other capital outlay notes, to 7%, principally due by 1985	37,578	
Tennessee State School Bond Authority revenue bonds, various Series, 4.1% to 7%, due in decreasing amounts of principal and interest from $13.0 million in 1982 to $1.2 million in 2011		159,379
Non-Authority revenue bonds, 2.25% to 5%, due in generally decreasing amounts of principal and interest from $1.4 million in 1982 to $51 thousand in 2009		18,244
	37,594	177,623
Total Notes and Bonds Payable	$87,426	$1,428,493

The full faith and credit of the state, together with certain tax revenues, are pledged to secure all general obligation notes and bonds listed above. Although the Enterprise Fund general obligation debt is being retired from resources of that fund (Sewage Treatment Facilities Fund), the state remains contingently liable for its payment. The revenue bonds listed above are not obligations of the state. They are secured by pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the Tennessee Housing Development Agency (THDA), the Tennessee State School Bond Authority (TSSBA) and the various colleges and universities.

Debt service requirements to maturity for all general obligation and revenue bonds payable at June 30, 1981 are as follows (expressed in thousands):

For the Year(s) Ended June 30	General Obligation Bonds		Revenue Bonds		Total Requirements
	Principal	Interest	Principal	Interest	
1982	$ 52,850	$ 32,998	$ 72,134*	$ 41,285	$ 199,267*
1983	52,690	30,523	15,698	39,952	138,863
1984	49,900	28,038	18,102	39,070	135,110
1985	47,515	25,660	19,250	38,091	130,516
1986	47,640	23,411	70,987*	37,047	179,085*
1987-2018	419,595	135,676	562,132	466,612	1,584,015
	$670,190	$276,306	$758,303	$662,057	$2,366,856

*Includes $58,340 (1982) and $51,115 (1986) representing outstanding TSSBA bonds to be refunded, described below.

A summary of changes in general long-term debt for the year ended June 30, 1981 follows (expressed in thousands).

	Balance, July 1, 1980	General Obligation Bonds Issued	General Obligation Bonds Retired	Net Increase in Funds Available for Debt Service	Balance, June 30, 1981
Amount available in Debt Service Fund	$ 2,821			$76	$ 2,897
Amount to be Provided for Retirement of Long-Term Debt	600,199	$38,300	($51,125)	(76)	587,298
Total Available and to be Provided/General Obligation Debt Payable	$603,020	$38,300	($51,125)	$ -	$590,195

Bond sales during the year ended June 30, 1981 included a July 1980 THDA revenue bond issue amounting to $63.17 million. Also in August 1980, $71.4 million of general obligation bonds and $49.49 million of one-year general obligation bond anticipation notes were issued.

In August 1981, $90.675 million of Tennessee Local Development Authority (TLDA) one-year revenue bond anticipation notes were issued, of which $49.49 million was used to retire general obligation notes then due. The TLDA was created by the 1978 General Assembly primarily to make loans to local governments for the construction of sewage treatment, solid waste recovery and waterworks facilities. Whereas general obligation debt has provided financing for these projects in the past, it is the state's intent that only TLDA revenue bonds and notes be used for this program in the future.

In 1972 and 1977 the TSSBA entered into crossover advance refunding transactions whereby revenue bonds of $58.005 million and $52.985 million were issued to facilitate retirement of 1970 and 1976 TSSBA bonds of $58.34 million and $51.115 million in crossover years 1982 and 1986, all respectively. Proceeds from the two refunding issues were placed in trust with the State Treasurer and invested in qualifying securities which, together with interest earned thereon, will provide amounts sufficient for future payment of all interest, principal and call premiums on the 1970 and 1976 refunded bonds. In the accompanying financial statements the refunding bonds and related investments are reported in the TSSBA Internal Service Fund; the bonds to be refunded are included in the College and University Funds debt.

A summary of general obligation bonds authorized and unissued at June 30, 1981 is shown below (expressed in thousands). It is anticipated that a substantial amount of these bonds will not be issued but will be cancelled out of available fund balances. The summary has given effect to the cancellation of $2 million of authorized and unissued debt of the Tennessee Industrial Development Authority, said authority having been abolished July 1, 1981 as more fully discussed in Note 2D.

Purpose	Unissued July 1, 1980	Authorized	Sold	Cancelled	Unissued June 30, 1981
Sewage Treatment	$139,025		$25,310		$113,715
Waterworks	48,985		7,790		41,195
Solid Waste Recovery	99,295				99,295
Highway	112,100				112,100
Education	60,800	$15,950	19,500	$4,000	53,250
Correction	15,500	3,488	15,500		3,488
Expo '82	10,000				10,000
General Government		27,440			27,440
Other	8,200	8,122	3,300	2,000	11,022
Totals	$493,905	$55,000	$71,400	$6,000	$471,505

NOTE 4 - PENSION PLANS

A. Tennessee Consolidated Retirement System - The Tennessee Consolidated Retirement System (TCRS) is a defined benefit, contributory retirement plan covering general employees and teachers of the state as well as employees of political subdivisions who have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee. Contributions to the system are determined on an actuarial reserve basis and provide funding for both normal and accrued liability costs. The entry age normal method, a projected benefit cost method, is used to value the plan. Effective July 1981, pursuant to non-contributory legislation, contributions of up to 5% of the earnable compensation of most classes of general employees, formerly paid by those employees, will be assumed by the state. This legislation similarly affects electing political subdivisions and their employees.

It is the policy of the state to fund pension costs accrued. For the year ended June 30, 1981 the state contributed $194.2 million to the plan and state employees contributed $74.4 million. These contributions included funding for a cost-of-living provision and amortization of the accrued liability on an actuarial basis over a 40-year period which began in 1975.

An experience study of the system is conducted every four years, the most recent being as of June 30, 1980. A new set of assumptions resulted from this study, the most significant being a 7% interest rate (formerly 6%), a 6% annual salary growth (formerly 4½%), greater post-retirement survivorship and increased employee turnover. The effect of using these new assumptions in the 1981 valuation is described below.

An actuarial valuation is made every two years, the most recent having been completed as of June 30, 1981. For actuarial purposes, the former practice of valuing all investments on the basis of a five-year moving market average was changed to one of valuing equity securities in that manner and debt securities at amortized cost. This change resulted in a $172 million increase (8.8%) in net assets. At June 30, 1981 the actuarially computed present value of vested benefits exceeded the net assets of the pension fund by $776 million. This calculation includes the amount attributable to political subdivisions ($80 million) as well as the liability associated with a closed group of University of Tennessee faculty who participate in the Teachers Insurance and Annuity Association retirement plan (TIAA-CREF), described in B. below. Had the actuarial assumptions underlying the current valuation remained the same as those used in 1979, the "excess of vested benefits over net assets" amount would have increased to $1 billion at June 30, 1981. The unamortized accrued liability of the retirement system, based on the present value of benefits for past and future service, was estimated to be $2.1 billion at June 30, 1981. Of this amount, $255 million is attributable to political subdivisions for which the state assumes no liability.

B. Other than TCRS - Eligible faculty of the various state universities and community colleges may elect to become members of either TIAA-CREF, a privately-administered retirement plan, or the TCRS. The state assumes no liability for this group of TIAA-CREF members other than payment of matching contributions. During the year ended June 30, 1981 these members and the state each contributed $5.8 million to the TIAA-CREF plan. Effective July 1981 the state will assume the entire TIAA-CREF annual contribution.

A second, now-closed group of University of Tennessee faculty also participates in TIAA-CREF with certain supplemental benefits guaranteed by the state. Prior to fiscal year 1978 these guaranteed benefits were funded by the university on a pay-as-you-go basis; they since have been assumed by the TCRS and are included in the actuarial calculations disclosed in A. above.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. Annual and Sick Leave - It is the state's policy to record the cost of annual and sick leave when paid. State employees earn annual leave ranging from 1 to 2 days per month with maximum accumulations ranging from 30 to 42 days. At June 30, 1981 the estimated liability for accrued annual leave was $64 million. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury or related family death, there was no liability for sick leave at June 30, 1981. The estimated accumulated amount of unused sick leave at that date was $175 million.

B. Leases - The state has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30, 60 or 90 days' written notice to lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the years ended June 30, 1981 and 1980 amounted to $17.6 million and $16.2 million, respectively.

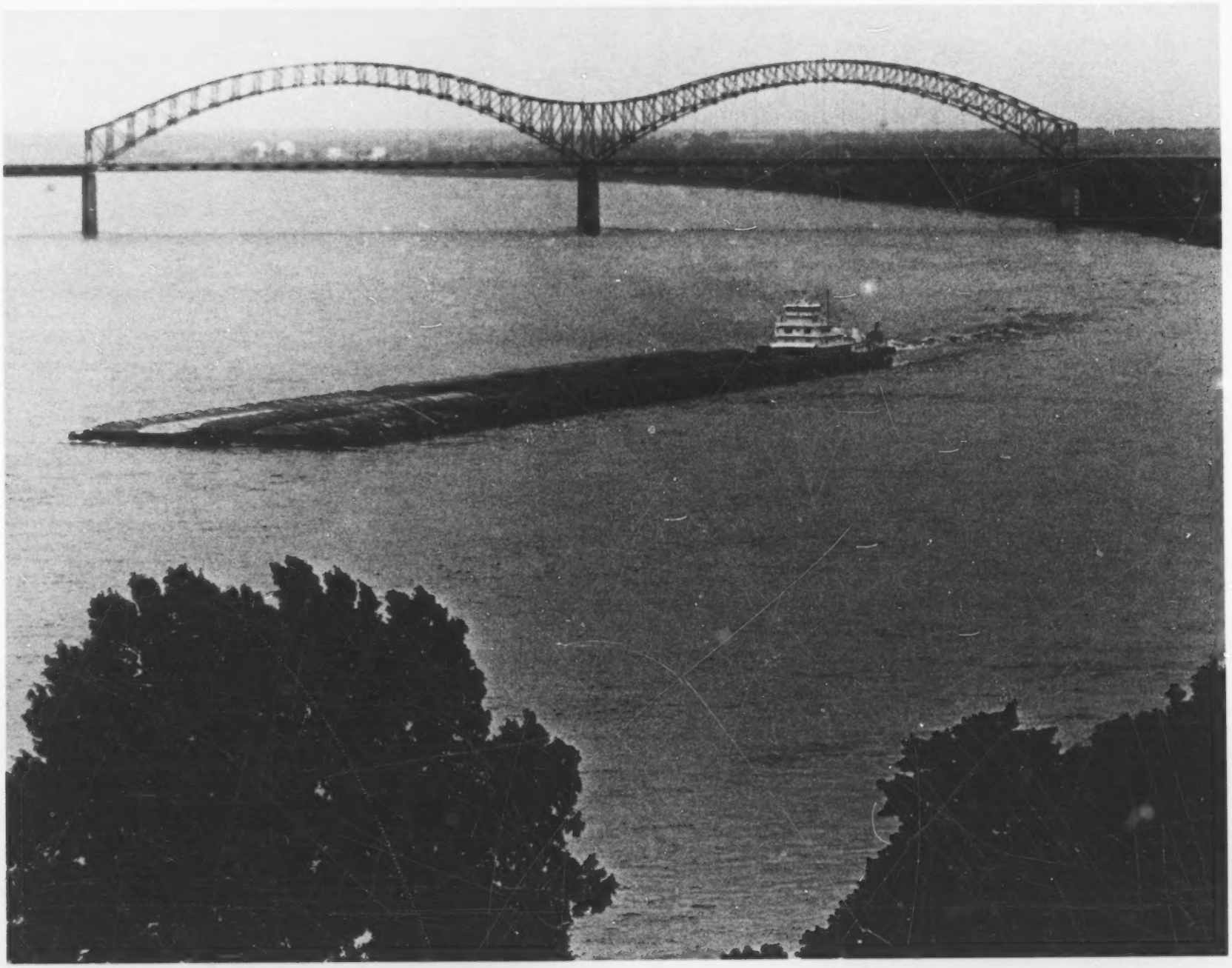
C. Highway Construction Projects - At June 30, 1981 the Department of Transportation had contractual commitments of approximately $152 million for construction of various highway projects. Funding of these future expenditures is expected to be received from federal grants ($118 million) and general obligation bond proceeds ($34 million).

D. Litigation - Under the doctrine of sovereign immunity, the state historically has been immune from suit. Recent legislation, however, has given the courts jurisdiction to hear certain litigation involving the state. As a result, various lawsuits are pending, the most significant of which involves allegedly inadequate prison facilities in the state's correctional system. Although potential long-term construction costs ranging to $100 million could result from an adverse decision in this case, it is the Attorney General's opinion that less costly remedies will be recommended by the court. Further, in the opinions of the Attorney General and General Counsels for the colleges and universities, final settlement of this and all other matters will have no material effect on the accompanying financial statements.

E. Federal Grants - The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F. Loan Guarantees - Two state agencies, the Tennessee Industrial Development Authority (TIDA), an Enterprise Fund, and the Tennessee Student Assistance Corporation (TSAC), a Nonexpendable Trust Fund, guarantee loans made by private lenders to industry and to students, respectively. The U.S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts. At June 30, 1981 TIDA was guarantor of $1.1 million in industrial loans; and TSAC was guarantor of $158 million in student loans, substantially all of which were reinsured by the USDE. The state has no obligation under these guarantees in the event of default.

G. Other - The Board of Claims was created by the legislature to hear claims against the state involving (1) injuries and property damages arising from the negligence of state employees and (2) injuries or deaths of state employees while performing official duties. It is the state's policy to fund, through annual appropriation, these claims as paid.



The Mississippi River in Memphis

GENERAL FUND

The General Fund is maintained to account for all governmental financial resources and transactions not accounted for in another fund.

STATE OF TENNESSEE
BALANCE SHEET
GENERAL FUND
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$ 98,160	$150,230
RECEIVABLES:		
DUE FROM OTHER GOVERNMENTS	80,885	76,967
INTEREST	22,869	26,201
OTHER	469	194
INTERFUND RECEIVABLES (Note 2)	400	300
TOTAL ASSETS	$202,783	$253,892
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 36,124	$ 51,394
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	95,881	100,921
ACCRUED PAYROLL AND RELATED DEDUCTIONS	14,140	12,719
INTERFUND PAYABLES (Note 2)	3,859	3,616
OTHER	787	776
TOTAL LIABILITIES	150,791	169,426
FUND BALANCE (Note 1):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	5,510	8,027
RESERVED FOR CONTINUING APPROPRIATIONS	6,711	3,864
RESERVED FOR APPROPRIATION AND OTHER REQUIREMENTS	5,404	29,200
RESERVED FOR OTHER SPECIFIC PURPOSES	8,233	8,842
UNRESERVED:		
DESIGNATED FOR REVENUE FLUCTUATIONS	22,500	31,000
DESIGNATED FOR CLAIMS AGAINST THE STATE	3,000	3,000
UNDESIGNATED	634	533
TOTAL FUND BALANCE	51,992	84,466
TOTAL LIABILITIES AND FUND BALANCE	$202,783	$253,892

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
REVENUES:		
TAXES	$1,529,475	$1,448,579
LICENSES, FEES AND PERMITS	25,829	25,099
INTEREST ON INVESTMENTS	60,975	72,354
FEDERAL	919,840	865,546
DEPARTMENTAL SERVICES	166,387	152,195
OTHER	5,954	7,065
TOTAL REVENUES	2,708,460	2,570,838
EXPENDITURES:		
GENERAL GOVERNMENT	174,804	170,209
EDUCATION	1,282,952	1,230,000
HEALTH AND SOCIAL SERVICES	1,028,512	959,620
LAW, JUSTICE AND PUBLIC SAFETY	162,520	145,302
RECREATION AND RESOURCES DEVELOPMENT	56,167	53,386
REGULATION OF BUSINESS AND PROFESSIONS	14,245	13,808
TOTAL EXPENDITURES	2,719,200	2,572,325
EXCESS OF EXPENDITURES OVER REVENUES	(10,740)	(1,487)
OTHER FINANCING USES:		
OPERATING TRANSFERS:		
TO SPECIAL REVENUE FUNDS	(3,600)	(1,802)
TO DEBT SERVICE FUND	(1,600)	
TO CAPITAL PROJECTS FUND	(13,074)	(51,397)
TO ENTERPRISE FUNDS	(678)	(182)
TO INTERNAL SERVICE FUNDS	(1,613)	(1,305)
TO NONEXPENDABLE TRUST FUND	(5,346)	(5,087)
TOTAL OTHER FINANCING USES	(25,911)	(59,773)
EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES	(36,651)	(61,260)
FUND BALANCE, JULY 1	84,466	145,726
EQUITY TRANSFERS:		
FROM ENTERPRISE FUNDS	4,189	
TO INTERNAL SERVICE FUNDS	(12)	
FUND BALANCE, JUNE 30 (Note 2)	$ 51,992	$ 84,466

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
TAXES:		
SALES AND USE	$ 969,561	$ 913,134
GASOLINE	2,474	2,615
MOTOR VEHICLE REGISTRATION	4,937	4,230
INCOME	24,613	21,403
PRIVILEGE	28,291	28,473
GROSS RECEIPTS	89,032	77,051
BEER	7,805	7,244
ALCOHOLIC BEVERAGE	23,249	23,217
MIXED DRINK	7,286	6,404
FRANCHISE	29,705	27,938
EXCISE	160,965	160,522
INHERITANCE AND ESTATE	26,674	28,307
TOBACCO	77,058	73,819
BUSINESS	5,525	5,357
INSURANCE COMPANIES PREMIUM	62,143	60,006
RETALIATORY	2,314	2,978
SAVINGS AND LOAN ASSOCIATIONS	3,208	1,479
OTHER	4,635	4,402
	1,529,475	1,448,579
LICENSES, FEES AND PERMITS:		
MOTOR VEHICLE TITLE REGISTRATION FEES	3,090	3,171
DRIVERS LICENSES	9,388	9,134
ARRESTS, FINES AND FEES	2,797	2,690
REGULATORY BOARD FEES	4,695	4,396
OTHER	5,859	5,708
	25,829	25,099
INTEREST ON INVESTMENTS	60,975	72,354
FEDERAL:		
EARNED BY STATE DEPARTMENTS	897,787	822,383
REVENUE SHARING	22,053	43,163
	919,840	865,546
DEPARTMENTAL SERVICES:		
CHARGES TO THE PUBLIC	55,967	47,725
INTERDEPARTMENTAL CHARGES	93,364	88,499
CHARGES TO CITIES, COUNTIES, ETC.	17,056	15,971
	166,387	152,195
OTHER	5,954	7,065
TOTAL REVENUES BY SOURCE	$2,708,460	$2,570,838

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF EXPENDITURES BY FUNCTION AND DEPARTMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	FUNCTION					
DEPARTMENT	GENERAL GOVERNMENT	EDUCATION	HEALTH AND SOCIAL SERVICES	LAW, JUSTICE AND PUBLIC SAFETY	RECREATION AND RESOURCES DEVELOPMENT	REGULATION OF BUSINESS AND PROFESSIONS
LEGISLATIVE	$ 6,626					
SECRETARY OF STATE	1,339					
COMPTROLLER	18,114					
TREASURER	3,539					
BOARD OF CLAIMS	1,886					
GOVERNOR	49,095					
COMMISSIONS	24,712					
FINANCE AND ADMINISTRATION	3,536					
PERSONNEL	3,457					
GENERAL SERVICES	11,827					
REVENUE	23,281					
OTHER	27,392					
EDUCATION		$1,282,952				
VETERANS AFFAIRS			$ 873			
EMPLOYMENT SECURITY			108,002			
MENTAL HEALTH AND MENTAL RETARDATION			150,932			
PUBLIC HEALTH			548,551			
HUMAN SERVICES			220,154			
JUDICIAL				$ 28,550		
CORRECTION				94,041		
MILITARY				10,227		
BUREAU OF CRIMINAL INVESTIGATION				3,924		
SAFETY				25,778		
AGRICULTURE					$ 8,103	
TOURIST DEVELOPMENT					2,979	
CONSERVATION					39,761	
ECONOMIC AND COMMUNITY DEVELOPMENT					5,324	
INSURANCE						$ 8,125
BANKING						2,172
LABOR						3,948
TOTALS	$174,804	$1,282,952	$1,028,512	$162,520	$56,167	$14,245

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF EXPENDITURES BY OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
PERSONAL SERVICES	$ 420,167	$ 389,968
EMPLOYEE BENEFITS	69,368	65,461
TRAVEL	19,560	18,169
PRINTING, DUPLICATING AND FILM PROCESSING	7,784	8,024
UTILITIES AND FUEL	20,526	17,914
COMMUNICATION AND SHIPPING COSTS	17,651	15,171
MAINTENANCE, REPAIRS AND SERVICES	6,027	5,584
PROFESSIONAL AND ADMINISTRATIVE SERVICES	90,496	83,297
SUPPLIES	81,023	73,756
RENTALS AND INSURANCE	10,951	10,335
MOTOR VEHICLE OPERATION	4,063	3,704
AWARDS AND INDEMNITIES	4,007	3,815
GRANTS AND SUBSIDIES	1,951,666	1,856,507
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	5,759	5,326
EQUIPMENT	7,244	12,435
LAND	220	274
BUILDINGS	2,688	2,585
TOTAL EXPENDITURES BY OBJECT	$2,719,200	$2,572,325

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
NARRATIVE EXPLANATIONS
GENERAL FUND
JUNE 30, 1981

Budgetary Procedures and Control

In many respects Tennessee is similar to other states regarding the process leading to adoption of the annual budget. Utilizing zero-based budgeting concepts, the executive branch prepares a budget which is the result of a series of intradepartmental budget meetings and executive budget hearings. The executive budget is based on estimates of all available revenue sources.

The executive budget is presented to the legislature at the beginning of each annual session. The legislature conducts budget hearings through its Finance, Ways and Means committees. Each committee recommends a version of the Appropriation Act to its respective body for passage. Included in the Appropriation Act is the funding level for each major organizational entity within each department. After passage by each chamber, differences between the two versions, if any, are resolved in conference committee. The final version is passed by both houses and sent to the Governor for approval. Before signing the Appropriation Act, the Governor may veto or reduce any specific appropriation item. These adjustments are subject to being overridden by the legislature.

Once the final budget is passed and signed, it becomes the financial plan for the coming year's activities. A quarterly work program detailing anticipated revenues by source and expenditures by object is then developed for each organizational entity. The work program is entered into the state's centralized accounting system. This budgetary-accounting integration and the resulting periodic reports facilitate both management control and legislative overview of the state's financial operations. Any deviation from the funding levels as specified in the Appropriation Act must receive prior approval from both the appropriate executive decision-makers and the Finance, Ways and Means committees. Thus, there is a continuing interaction between the executive and legislative branches on budgetary matters.

Constitutional Spending Limitation

Tennessee was the first state to adopt a constitutional spending limitation. This was not a response to any spending or taxing excesses but was a public endorsement of the state's long-standing record of sound fiscal management.

The March 1978 amendment to the Constitution limited the growth in spending by state government to the rate of growth exhibited by the state's economy. The legislature was directed to establish some measure of economic growth from which the permitted growth in spending could be calculated. Estimated growth in personal income was the measure so established.

The 1981-82 budget is the state's third budget to be prepared and enacted since passage of the spending limitation. The total budget is well within the statutory limit enacted to carry out the constitutional mandate. Although the effect of the constitutional spending limitation cannot be evaluated until it has been operative for a period of years, it is apparent that the long-term impact of the amendment on the continued operations and growth of state government could be substantial.

The Hiwassee River

SPECIAL REVENUE FUNDS

The Special Revenue Funds are maintained to account for the proceeds of specific revenues which are earmarked to finance particular functions or activities of government.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	HIGHWAY	EMPLOYMENT SECURITY	OTHER	TOTALS JUNE 30, 1981	TOTALS JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$207,706	$ 4,316	$7,786	$219,808	$219,872
CASH ON DEPOSIT WITH FISCAL AGENT		164,877		164,877	254,181
RECEIVABLES, net of allowance for uncollectibles of $11,579 in 1981 and $10,455 in 1980 (Note 1)	51,187	5,392	556	57,135	75,132
INVENTORIES, at cost	6,247			6,247	5,947
TOTAL ASSETS	$265,140	$174,585	$8,342	$448,067	$555,132
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
WARRANTS PAYABLE	$ 9,838	$ 4,691	$ 513	$ 15,042	$ 25,072
ACCOUNTS PAYABLE AND ACCRUALS	36,723	16,765	709	54,197	57,301
INTERFUND PAYABLES (Note 2)	638		72	710	688
OTHER	220		1	221	4,700
TOTAL LIABILITIES	47,419	21,456	1,295	70,170	87,761
FUND BALANCES (Note 1):					
RESERVED FOR INVENTORIES	6,247			6,247	5,947
RESERVED FOR ENCUMBRANCES AND CONTRACTS	138,188		311	138,499	144,742
RESERVED FOR OTHER SPECIFIC PURPOSES	63,418	153,129	6,736	223,283	309,859
UNRESERVED	9,868			9,868	6,823
TOTAL FUND BALANCES	217,721	153,129	7,047	377,897	467,371
TOTAL LIABILITIES AND FUND BALANCES	$265,140	$174,585	$8,342	$448,067	$555,132

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	HIGHWAY	EMPLOYMENT SECURITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
REVENUES:					
TAXES	$181,711	$153,900		$335,611	$350,589
LICENSES, FEES AND PERMITS	92		$14,438	14,530	13,161
INTEREST		17,886		17,886	19,658
FEDERAL	249,193	84,564	3,343	337,100	276,408
DEPARTMENTAL SERVICES	11,776	2,280	1,251	15,307	17,278
OTHER	1,858			1,858	2,268
TOTAL REVENUES	444,630	258,630	19,032	722,292	679,362
EXPENDITURES:					
TRANSPORTATION	447,850			447,850	479,599
PAYMENTS TO CLAIMANTS		355,447		355,447	237,986
REFUNDS		371		371	330
GENERAL GOVERNMENT			4,380	4,380	3,908
EDUCATION			695	695	510
LAW, JUSTICE AND PUBLIC SAFETY			195	195	214
RECREATION AND RESOURCES DEVELOPMENT			12,199	12,199	11,152
TOTAL EXPENDITURES	447,850	355,818	17,469	821,137	733,699
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,220)	(97,188)	1,563	(98,845)	(54,337)
OTHER FINANCING SOURCES (USES):					
OPERATING TRANSFER FROM (TO) GENERAL FUND	3,710		(110)	3,600	1,802
OPERATING TRANSFER FROM DEBT SERVICE FUND	5,800			5,800	
OPERATING TRANSFER TO PENSION TRUST FUND			(29)	(29)	(30)
TOTAL OTHER FINANCING SOURCES (USES)	9,510		(139)	9,371	1,772
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	6,290	(97,188)	1,424	(89,474)	(52,565)
FUND BALANCES, JULY 1	211,431	250,317	5,623	467,371	519,936
FUND BALANCES, JUNE 30 (Note 2)	$217,721	$153,129	$ 7,047	$377,897	$467,371

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	ABANDONED LAND PROGRAM	WILDLIFE RESOURCES AGENCY	DRIVER EDUCATION	TOTALS JUNE 30, 1981	TOTALS JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$1,002	$278	$1,171	$4,753	$582	$7,786	$6,839
RECEIVABLES	48			508		556	65
TOTAL ASSETS	$1,050	$278	$1,171	$5,261	$582	$8,342	$6,904
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
WARRANTS PAYABLE	$ 192	$ 22	$ 4	$ 294	$ 1	$ 513	$ 552
ACCOUNTS PAYABLE AND ACCRUALS	58	73	2	572	4	709	662
INTERFUND PAYABLES (Note 2)			1	71		72	66
OTHER	1					1	1
TOTAL LIABILITIES	251	95	7	937	5	1,295	1,281
FUND BALANCES (Note 1):							
RESERVED FOR ENCUMBRANCES AND CONTRACTS	8		153	150		311	289
RESERVED FOR OTHER SPECIFIC PURPOSES	791	183	1,011	4,174	577	6,736	5,334
TOTAL FUND BALANCES	799	183	1,164	4,324	577	7,047	5,623
TOTAL LIABILITIES AND FUND BALANCES	$1,050	$278	$1,171	$5,261	$582	$8,342	$6,904

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	PUBLIC SERVICE COMMISSION	CRIMINAL INJURIES COMPENSATION	ABANDONED LAND PROGRAM	WILDLIFE RESOURCES AGENCY	DRIVER EDUCATION	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
REVENUES:							
LICENSES, FEES AND PERMITS	$3,128	$771	$ 268	$ 9,346	$925	$14,438	$13,071
FEDERAL	162			3,181		3,343	2,608
DEPARTMENTAL SERVICES	513			727	11	1,251	1,113
TOTAL REVENUES	3,803	771	268	13,254	936	19,032	16,792
EXPENDITURES:							
GENERAL GOVERNMENT	3,739	641				4,380	3,908
EDUCATION					695	695	510
LAW, JUSTICE AND PUBLIC SAFETY					195	195	214
RECREATION AND RESOURCES DEVELOPMENT			496	11,703		12,199	11,152
TOTAL EXPENDITURES	3,739	641	496	11,703	890	17,469	15,784
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	64	130	(228)	1,551	46	1,563	1,008
OTHER FINANCING SOURCES (USES):							
OPERATING TRANSFER FROM (TO) GENERAL FUND				(110)		(110)	315
OPERATING TRANSFER TO PENSION TRUST FUND	(29)					(29)	(30)
TOTAL OTHER FINANCING SOURCES (USES)	(29)			(110)		(139)	285
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	35	130	(228)	1,441	46	1,424	1,293
FUND BALANCES, JULY 1	764	53	1,392	2,883	531	5,623	4,330
FUND BALANCES, JUNE 30 (Note 2)	$ 799	$183	$1,164	$ 4,324	$577	$ 7,047	$ 5,623

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	HIGHWAY			OTHER SPECIAL REVENUE			TOTALS FOR THE YEAR ENDED JUNE 30, 1981		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)
SOURCES OF FINANCIAL RESOURCES:									
FUND BALANCES (BUDGETARY BASIS), JULY 1	$ 12,794	$ 12,794		$ 5,334	$ 5,334		$ 18,128	$ 18,128	
ADD - ENCUMBRANCE AND CONTRACT RESERVES REAPPROPRIATED	205,394	205,394		289	289		205,683	205,683	
ADJUSTED FUND BALANCES (BUDGETARY BASIS), JULY 1	218,188	218,188		5,623	5,623		223,811	223,811	
REVENUES:									
TAXES	182,600	181,711	($ 889)				182,600	181,711	($ 889)
LICENSES, FEES AND PERMITS		92	92	13,467	14,438	$ 971	13,467	14,530	1,063
FEDERAL	256,756	256,756		3,168	3,343	175	259,924	260,099	175
DEPARTMENTAL SERVICES	9,166	11,776	2,610	700	1,251	551	9,866	13,027	3,161
OTHER	1,600	1,858	258				1,600	1,858	258
OTHER FINANCING SOURCES - OPERATING TRANSFERS IN	9,510	9,510					9,510	9,510	
TOTAL SOURCES OF FINANCIAL RESOURCES	677,820	679,891	2,071	22,958	24,655	1,697	700,778	704,546	3,768
USES OF FINANCIAL RESOURCES:									
EXPENDITURES AND ENCUMBRANCES:									
GENERAL GOVERNMENT				4,393	4,388	5	4,393	4,388	5
EDUCATION				700	695	5	700	695	5
LAW, JUSTICE AND PUBLIC SAFETY				284	195	89	284	195	89
RECREATION AND RESOURCES DEVELOPMENT				13,030	12,502	528	13,030	12,502	528
TRANSPORTATION	671,157	663,753	7,404				671,157	663,753	7,404
OTHER FINANCING USES - OPERATING TRANSFERS OUT				139	139		139	139	
TOTAL USES OF FINANCIAL RESOURCES	671,157	663,753	7,404	18,546	17,919	627	689,703	681,672	8,031
FUND BALANCES (BUDGETARY BASIS), JUNE 30 (Note 2)	$ 6,663	$ 16,138	$9,475	$ 4,412	$ 6,736	$2,324	$ 11,075	$ 22,874	$11,799

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
BALANCE SHEET
HIGHWAY FUND
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$207,706	$207,049
DUE FROM OTHER GOVERNMENTS	51,187	71,447
INVENTORIES, at cost	6,247	5,947
TOTAL ASSETS	$265,140	$284,443
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 9,838	$ 19,360
ACCOUNTS PAYABLE AND ACCRUALS:		
ACCOUNTS PAYABLE	31,750	41,854
CONTRACT RETAINAGE	2,635	4,262
ACCRUED PAYROLL AND RELATED DEDUCTIONS	2,338	2,215
INTERFUND PAYABLES (Note 2)	638	622
OTHER	220	4,699
TOTAL LIABILITIES	47,419	73,012
FUND BALANCE (Note 1):		
RESERVED FOR INVENTORIES	6,247	5,947
RESERVED FOR ENCUMBRANCES AND CONTRACTS	138,188	144,453
RESERVED FOR OTHER SPECIFIC PURPOSES:		
INTERSTATE HIGHWAYS	7,923	4,874
PRIMARY SYSTEM	9,852	8,865
URBAN HIGHWAYS	1,646	2,031
SECONDARY ROADS	6,843	5,662
APPALACHIA HIGHWAYS AND ACCESS ROUTES	2,917	9,585
RURAL ROADS	6,607	6,762
METROPOLITAN URBAN SYSTEMS	3,560	2,413
BRIDGE REPLACEMENT	12,238	6,712
HIGHWAY SAFETY CONSTRUCTION	5,475	4,830
OTHERS	6,357	2,474
UNRESERVED	9,868	6,823
TOTAL FUND BALANCE	217,721	211,431
TOTAL LIABILITIES AND FUND BALANCE	$265,140	$284,443

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1981	JUNE 30, 1980
REVENUES:		
TAXES	$181,711	$188,745
LICENSES	92	90
FEDERAL	249,193	227,466
DEPARTMENTAL SERVICES	11,776	13,877
OTHER	1,858	2,268
TOTAL REVENUES	444,630	432,446
EXPENDITURES:		
INTERSTATE HIGHWAY CONSTRUCTION	122,752	129,951
PRIMARY SYSTEM CONSTRUCTION	26,803	54,130
APPALACHIA CONSTRUCTION	38,823	43,694
STATE SYSTEM CONSTRUCTION	49,226	58,034
OTHER CONSTRUCTION	121,509	108,148
MAINTENANCE AND MARKING	54,217	49,462
ADMINISTRATIVE AND OTHER	33,920	36,180
TOTAL EXPENDITURES	447,850	479,599
EXCESS OF EXPENDITURES OVER REVENUES	(3,220)	(47,153)
OTHER FINANCING SOURCES:		
OPERATING TRANSFER FROM GENERAL FUND	3,710	1,487
OPERATING TRANSFER FROM DEBT SERVICE FUND	5,800	
TOTAL OTHER FINANCING SOURCES	9,510	1,487
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	6,290	(45,666)
FUND BALANCE, JULY 1	211,431	257,097
FUND BALANCE, JUNE 30 (Note 2)	$217,721	$211,431

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF REVENUES BY SOURCE
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

REVENUES BY SOURCE	FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
TAXES:		
GASOLINE	$ 58,737	$ 63,552
MOTOR FUEL	19,807	19,001
GASOLINE INSPECTION	18,319	19,661
MOTOR VEHICLE REGISTRATION	84,848	86,531
	$181,711	$188,745
OUTDOOR ADVERTISING LICENSES	92	90
FEDERAL	249,193	227,466
DEPARTMENTAL SERVICES:		
CITIES AND COUNTIES	7,683	10,436
STATE AGENCIES	4,093	3,441
OTHER - SALE OF EQUIPMENT, PLANS, ETC.	1,858	2,268
TOTAL REVENUES BY SOURCE	$444,630	$432,446

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
STATEMENT OF EXPENDITURES BY OBJECT
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

EXPENDITURES BY OBJECT	FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
PERSONAL SERVICES	$ 67,432	$ 64,217
EMPLOYEE BENEFITS	11,009	12,491
TRAVEL	568	553
PRINTING, DUPLICATING AND FILM PROCESSING	450	450
UTILITIES AND FUEL	1,063	938
COMMUNICATION AND SHIPPING COSTS	817	707
MAINTENANCE, REPAIRS AND SERVICES	297	336
PROFESSIONAL AND ADMINISTRATIVE SERVICES	11,351	13,404
SUPPLIES	6,338	10,908
RENTALS AND INSURANCE	485	531
MOTOR VEHICLE OPERATION	1,669	1,804
AWARDS AND INDEMNITIES	459	401
GRANTS AND SUBSIDIES	5,109	6,606
ITEMS FOR RESALE, REISSUE OR MANUFACTURE	12,265	11,150
EQUIPMENT	1,856	3,095
LAND	19,225	33,644
BUILDINGS	105	495
HIGHWAY CONSTRUCTION	307,352	317,869
TOTAL EXPENDITURES BY OBJECT	$447,850	$479,599

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
NARRATIVE EXPLANATIONS
ALL SPECIAL REVENUE FUNDS
JUNE 30, 1981

Specific revenues, earmarked to finance particular activities of government, are accounted for in the Special Revenue Funds. A brief description of each fund follows.

Highway Fund - This fund is maintained to account for revenues and expenditures associated with programs of the Department of Transportation. Funding of these programs is accomplished primarily from dedicated highway user taxes and funds received from the various federal transportation agencies. All federal funds accruing to the Highway Fund are received on a reimbursement basis covering costs incurred. It is the state's practice to appropriate matching dollars for jointly funded projects in the year of federal apportionment. This front-end state funding, together with multi-year disbursements on most projects, results in large cash balances in this fund. The State Treasurer invests these moneys, income from which is deposited in the General Fund.

Employment Security Fund - This fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. Funds are also received from the federal government for local office building construction, supplemental unemployment programs and work incentive payments. As required by law, all funds not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest earned from these moneys is retained in the fund. Administrative and operational expenses incurred by the Department of Employment Security are expenditures of the General Fund.

Other Special Revenue Funds - There are five agencies included in this group, as follows:

1. Public Service Commission - The commission is responsible for executing and enforcing all statutes governing railroads, utilities and motor carriers. They also assess these groups for ad valorem taxes. Revenues are derived principally from filing and inspection fees;

2. Criminal Injuries Compensation - The Board of Claims administers this fund for the award of compensation, not to exceed $10,000, to victims (or their dependents) who suffer personal injury or death as a result of a criminal act. The primary revenue source is the privilege tax levied by the courts at the time of conviction of the offender;

3. Abandoned Land Program - This program is administered by the Department of Conservation. Revenues collected from surface mining permit fees and forfeited performance bonds are used to reclaim and restore lands affected by abandoned mining operations;

4. Wildlife Resources Agency - This agency is responsible for the preservation, management, enhancement and protection of the state's wildlife resources and their environs. An additional responsibility is the enforcement of boating safety on state lakes and streams. Revenues are derived principally from hunting and fishing licenses, fees and permits;

5. Driver Education - This program is designed and coordinated by the Departments of Education and Safety. Highway safety is promoted by providing driver education, instruction and training in schools, colleges and community organizations. The $2 fee for moving traffic violations is the source of funding for this program.

Point Park at Lookout Mountain

DEBT SERVICE FUND

The Debt Service Fund is maintained to account for accumulation of resources for, and the payment of, principal and interest on general long-term debt.

STATE OF TENNESSEE
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$15,056	$17,460
PREPAYMENTS	3	3
TOTAL ASSETS	$15,059	$17,463
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 3	$ 3
MATURED BONDS AND INTEREST PAYABLE	363	439
TOTAL LIABILITIES	366	442
FUND BALANCE (Note 1):		
RESERVED FOR CAPITAL OUTLAY APPROPRIATION	11,796	14,200
UNRESERVED	2,897	2,821
TOTAL FUND BALANCE	14,693	17,021
TOTAL LIABILITIES AND FUND BALANCE	$15,059	$17,463

See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
REVENUES:		
TAXES:		
SALES AND USE	$11,545	$10,873
GASOLINE	29,300	28,000
FRANCHISE	16,000	16,000
EXCISE	34,100	37,700
	90,945	92,573
FEDERAL	96	91
OTHER	5	
TOTAL REVENUES	91,046	92,664
EXPENDITURES:		
BOND PRINCIPAL RETIREMENT	51,125	47,710
BOND INTEREST	29,620	30,386
OTHER	29	8
TOTAL EXPENDITURES	80,774	78,104
EXCESS OF REVENUES OVER EXPENDITURES	10,272	14,560
OTHER FINANCING SOURCES (USES):		
OPERATING TRANSFER FROM GENERAL FUND	1,600	
OPERATING TRANSFER TO CAPITAL PROJECTS FUND	(8,400)	
OPERATING TRANSFER TO HIGHWAY FUND	(5,800)	
TOTAL OTHER FINANCING SOURCES (USES)	(12,600)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,328)	14,560
FUND BALANCE, JULY 1	17,021	2,461
FUND BALANCE, JUNE 30	$14,693	$17,021

See accompanying Notes to the Financial Statements.

1982 World's Fair in Knoxville

CAPITAL PROJECTS FUND

The Capital Projects Fund is maintained to account for the acquisition or construction of major governmental general fixed assets financed principally by long-term bonds.

STATE OF TENNESSEE
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$81,396	$105,577
DUE FROM OTHER GOVERNMENTS	1,178	4,495
TOTAL ASSETS	$82,574	$110,072
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
WARRANTS PAYABLE	$ 3,343	$ 2,542
ACCOUNTS PAYABLE	7,865	8,182
OTHER	385	206
TOTAL LIABILITIES	11,593	10,930
FUND BALANCE (Note 1):		
RESERVED FOR ENCUMBRANCES AND CONTRACTS	32,587	33,237
RESERVED FOR APPROVED CAPITAL PROJECTS	20,167	39,260
RESERVED FOR FUTURE CAPITAL PROJECTS	18,227	26,645
TOTAL FUND BALANCE	70,981	99,142
TOTAL LIABILITIES AND FUND BALANCE	$82,574	$110,072

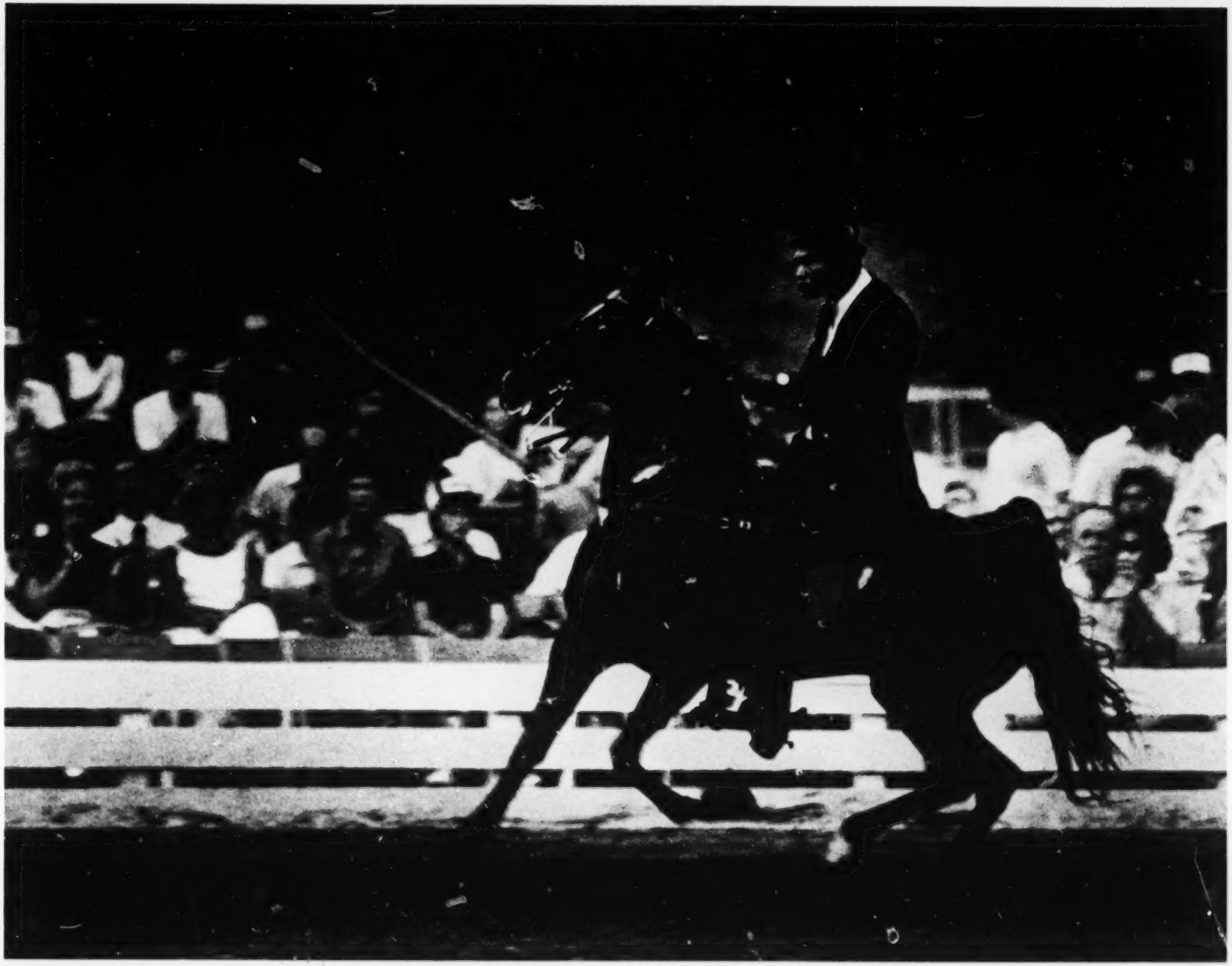
See accompanying Notes to the
Financial Statements.

STATE OF TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	FOR THE YEAR ENDED	
	JUNE 30, 1981	JUNE 30, 1980
REVENUES:		
FEDERAL	$ 2,518	$ 8,701
DEPARTMENTAL SERVICES	525	1,847
TOTAL REVENUES	3,043	10,548
EXPENDITURES:		
GENERAL GOVERNMENT	9,662	6,316
EDUCATION	54,610	44,678
HEALTH AND SOCIAL SERVICES	8,751	4,928
LAW, JUSTICE AND PUBLIC SAFETY	8,931	20,240
RECREATION AND RESOURCES DEVELOPMENT	9,024	13,221
TOTAL EXPENDITURES	90,978	89,383
EXCESS OF EXPENDITURES OVER REVENUES	(87,935)	(78,835)
OTHER FINANCING SOURCES (USES):		
PROCEEDS FROM BOND SALE	38,300	
OPERATING TRANSFER FROM GENERAL FUND	13,074	51,397
OPERATING TRANSFER FROM DEBT SERVICE FUND	8,400	
OPERATING TRANSFER TO INTERNAL SERVICE FUNDS		(13)
TOTAL OTHER FINANCING SOURCES (USES)	59,774	51,384
EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(28,161)	(27,451)
FUND BALANCE, JULY 1	99,142	126,593
FUND BALANCE, JUNE 30	$70,981	$ 99,142

See accompanying Notes to the Financial Statements.



International Grand Championship Walking Horse Show in Murfreesboro

ENTERPRISE FUNDS

Enterprise Funds are maintained to account for the operations of state agencies which render services to the general public in a manner similar to private business enterprises. It is the intent that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	HOUSING DEVELOPMENT AGENCY	INDUSTRIAL DEVELOPMENT AUTHORITY	INDUSTRIES FOR THE BLIND	SEWAGE TREATMENT FACILITIES	OTHER	TOTALS JUNE 30, 1981	TOTALS JUNE 30, 1980
CURRENT ASSETS:							
CASH AND CASH EQUIVALENTS	$ 56,646	$7	$ 208	$ 30,155	$1,372	$ 88,388	$118,573
RECEIVABLES:							
ACCOUNTS, net of allowance for uncollectibles of $38	422		298		89	809	3,193
INTEREST	6,662			29		6,691	6,792
FIRST MORTGAGE LOANS - CURRENT PORTION	3,400					3,400	2,750
DUE FROM OTHER GOVERNMENTS - CURRENT PORTION				1,725		1,725	1,380
INVENTORIES, at cost		—	391		11	402	441
TOTAL CURRENT ASSETS	67,130	7	897	31,909	1,472	101,415	133,129
OTHER ASSETS:							
LONG-TERM INVESTMENTS, at cost	44,220					44,220	38,589
FIRST MORTGAGE LOANS RECEIVABLE	388,196					388,196	287,180
DUE FROM OTHER GOVERNMENTS				106,867		106,867	83,353
DEFERRED CHARGES	8,947					8,947	8,552
TOTAL OTHER ASSETS	441,363			106,867		548,230	417,674
MACHINERY AND EQUIPMENT, at cost	124		302		423	849	842
LESS ACCUMULATED DEPRECIATION	(52)		(172)		(273)	(497)	(422)
TOTAL FIXED ASSETS	72		130		150	352	420
TOTAL ASSETS	$508,565	$7	$1,027	$138,776	$1,622	$649,997	$551,223
LIABILITIES AND FUND EQUITY							
LIABILITIES:							
CURRENT LIABILITIES:							
WARRANTS PAYABLE	$ 816	$2	$ 35	$ 1,156	$ 39	$ 2,048	$ 1,575
ACCOUNTS PAYABLE AND ACCRUALS	9,958	4	116	4,009	86	14,173	15,029
INTERFUND PAYABLES (Note 2)	12	1	9		6	28	27
NOTES PAYABLE (Note 3)	240			49,490		49,730	46,671
CURRENT PORTION OF LONG-TERM DEBT (Note 3)	9,430			1,725		11,155	8,040
DEFERRED REVENUE	433	—			— —	433	132
TOTAL CURRENT LIABILITIES	20,889	7	160	56,380	131	77,567	71,474
LONG-TERM DEBT - BONDS PAYABLE (Note 3)	460,260			78,270		538,530	453,470
TOTAL LIABILITIES	481,149	7	160	134,650	131	616,097	524,944
FUND EQUITY (Note 2):							
CONTRIBUTED CAPITAL			1,990		1,493	3,483	7,068
RETAINED EARNINGS (DEFICIT):							
RESERVED FOR BOND RETIREMENT	7,652			4,126		11,778	10,176
UNRESERVED	19,764		(1,123)		(2)	18,639	9,035
TOTAL FUND EQUITY	27,416		867	4,126	1,491	33,900	26,279
TOTAL LIABILITIES AND FUND EQUITY	$508,565	$7	$1,027	$138,776	$1,622	$649,997	$551,223

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	INDUSTRIAL DEVELOPMENT AUTHORITY	INDUSTRIES FOR THE BLIND	SEWAGE TREATMENT FACILITIES	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
OPERATING REVENUES:							
CHARGES FOR SERVICES	$ 933		$1,609		$1,289	$ 3,831	$ 3,786
INTEREST INCOME	43,613	$ 251		$4,730	123	48,717	35,481
INTERGOVERNMENTAL	9,819			4,632		14,451	8,533
TOTAL OPERATING REVENUES	54,365	251	1,609	9,362	1,412	66,999	47,800
OPERATING EXPENSES:							
PERSONAL SERVICES	1,081	74	1,151		745	3,051	2,794
CONTRACTUAL SERVICES	223	5	158		78	464	562
MATERIALS AND SUPPLIES	23		1,119		411	1,553	1,409
RENTALS AND INSURANCE	65				5	70	72
MORTGAGE SERVICE FEES	1,128					1,128	779
GRANTS AND SUBSIDIES	9,819					9,819	5,958
INTEREST	31,987			7,127		39,114	27,513
DEPRECIATION AND AMORTIZATION	362		24		39	425	446
OTHER	165	7	61		10	243	103
TOTAL OPERATING EXPENSES	44,853	86	2,513	7,127	1,288	55,867	39,636
OPERATING INCOME (LOSS)	9,512	165	(904)	2,235	124	11,132	8,164
OPERATING TRANSFER FROM GENERAL FUND			678			678	182
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	9,512	165	(226)	2,235	124	11,810	8,346
OTHER CHANGES IN FUND EQUITY - EQUITY TRANSFER TO GENERAL FUND		(4,189)				(4,189)	
NET CHANGE IN FUND EQUITY	9,512	(4,024)	(226)	2,235	124	7,621	8,346
FUND EQUITY, JULY 1	17,904	4,024	1,093	1,891	1,367	26,279	17,933
FUND EQUITY, JUNE 30 (Note 2)	$27,416	$ -	$ 867	$4,126	$1,491	$33,900	$26,279

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	HOUSING DEVELOPMENT AGENCY	INDUSTRIAL DEVELOPMENT AUTHORITY	INDUSTRIES FOR THE BLIND	SEWAGE TREATMENT FACILITIES	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
SOURCES OF WORKING CAPITAL:							
OPERATIONS:							
NET INCOME (LOSS)	$ 9,512	$ 165	($226)	$ 2,235	$124	$ 11,810	$ 8,346
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	362		24		39	425	446
WORKING CAPITAL PROVIDED BY OPERATIONS	9,874	165	(202)	2,235	163	12,235	8,792
PROCEEDS FROM SALE OF BONDS	63,170			33,100		96,270	105,805
DISPOSAL OF MACHINERY AND EQUIPMENT							1
TOTAL SOURCES OF WORKING CAPITAL	73,044	165	(202)	35,335	163	108,505	114,598
USES OF WORKING CAPITAL:							
PURCHASE OF LONG-TERM INVESTMENTS	5,631					5,631	15,969
INCREASE IN FIRST MORTGAGE LOANS RECEIVABLE	101,016					101,016	82,578
INCREASE IN LOANS TO OTHER GOVERNMENTS				23,514		23,514	11,658
INCREASE IN DEFERRED CHARGES	745					745	1,885
ACQUISITION OF MACHINERY AND EQUIPMENT	5		1		1	7	92
DECREASE IN LONG-TERM DEBT	9,430			1,780		11,210	8,040
EQUITY TRANSFER TO GENERAL FUND		4,189				4,189	
TOTAL USES OF WORKING CAPITAL	116,827	4,189	1	25,294	1	146,312	120,222
NET INCREASE (DECREASE) IN WORKING CAPITAL	($ 43,783)	($4,024)	($203)	$10,041	$162	($ 37,807)	($ 5,624)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:							
CASH AND CASH EQUIVALENTS	($ 43,076)	($4,021)	($287)	$17,029	$170	($ 30,185)	($ 23,734)
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles	(2,507)		113		10	(2,384)	(12,544)
INTEREST RECEIVABLE	(130)			29		(101)	3,650
FIRST MORTGAGE LOANS RECEIVABLE	650					650	750
DUE FROM OTHER GOVERNMENTS				345		345	60
INVENTORIES			(35)		(4)	(39)	(97)
WARRANTS PAYABLE	(156)	(1)	40	(365)	9	(473)	1,401
ACCOUNTS PAYABLE AND ACCRUALS	2,077	(2)	(34)	(1,162)	(23)	856	(5,787)
INTERFUND PAYABLES	(1)					(1)	(4)
NOTES PAYABLE	2,431			(5,490)		(3,059)	33,438
CURRENT PORTION OF LONG-TERM DEBT	(2,770)			(345)		(3,115)	(2,625)
DEFERRED REVENUE	(301)					(301)	(132)
NET INCREASE (DECREASE) IN WORKING CAPITAL	($ 43,783)	($4,024)	($203)	$10,041	$162	($ 37,807)	($ 5,624)

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
NARRATIVE EXPLANATIONS
ALL ENTERPRISE FUNDS
JUNE 30, 1981

The Enterprise Funds are used to account for the operations of state agencies that provide goods or services to the general public on a user charge basis. The state's enterprise operations are described below.

Housing Development Agency - Created by the legislature in 1973, the purpose of this agency is to improve the quality of housing available to lower and moderate income Tennesseans. This objective is accomplished in part by (1) making funds available for loans for residential construction or rehabilitation, (2) making or participating in the making of insured mortgage loans and (3) purchasing existing mortgages from lending institutions. These programs are funded primarily from the sale of revenue bonds or notes.

Industrial Development Authority - This authority was established in 1972 for the purpose of promoting the development and expansion of industrial resources in underdeveloped areas of the state. Principally they have been involved in arranging financing from federal, state and private sources for the construction of industrial plants, and in guaranteeing secured loans made by financial institutions to state industries. Effective July 1, 1981 the authority was abolished. Future programs of this nature will be administered by the Department of Economic and Community Development from resources appropriated within the General Fund.

Industries for the Blind - Two agencies, A. P. Mills Industries (located in Memphis) and Mason Brandon Industries (located in Nashville), offer training and employment for the visually disabled. These sheltered workshops manufacture mops and brooms and perform various other types of assembly and contract work.

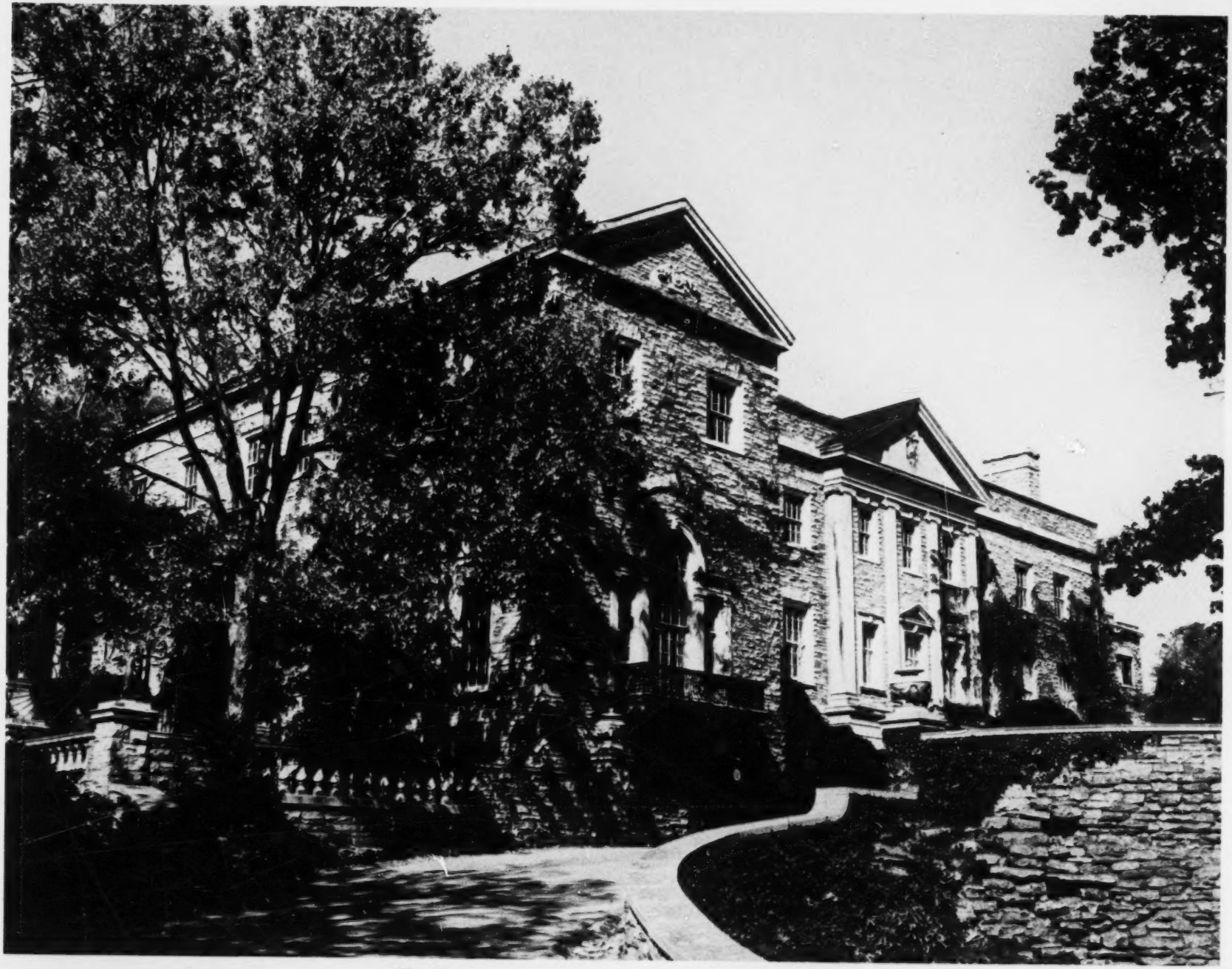
Sewage Treatment Facilities - The Sewage Treatment Facilities Fund was established to account for loans and grants made to local governments and utility districts for the construction of sewage treatment, solid waste recovery and waterworks facilities. In order for these borrowing entities to generate funds necessary to repay the loans, the imposition of a user's fee by the local systems was authorized. In order to finance this program, general obligation bonds and notes were sold which, although remaining full faith and credit obligations of the state, are being retired from resources of this fund. Future financing for this program will be generated from the sale of revenue bonds or notes.

Other - Three smaller enterprise operations are included in this group, as follows:

1. Federal Property Utilization, a division of the Department of General Services - This agency receives surplus federal property and redistributes it to civil defense units, health and educational institutions and other eligible donees within the state. The agency collects fees from the donees to offset operating costs.

2. State Employees' Cafeterias, also a division of the Department of General Services - This Nashville division operates two cafeterias for the convenience of state employees, one in the Andrew Jackson State Office Building and another in the Legislative Plaza.

3. Housing Rehabilitation Corporation - Established in 1973, this corporation's purpose is to provide a means of encouraging the rehabilitation of existing housing. To facilitate this objective the corporation insures first mortgage loans on existing houses and insures loans for home improvements. Although they have received state appropriations in the past, it is intended that the corporation be self-funded with revenues from investments, fees and premium income.



The Fine Arts Center at Cheekwood in Nashville

INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the operations of state agencies which render services to other state agencies or governmental units on a cost reimbursement basis.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	INFORMATION SYSTEM SERVICES	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	TENNESSEE STATE INDUSTRIES	INSTITUTIONAL FARMS	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS JUNE 30, 1981	TOTALS JUNE 30, 1980
CURRENT ASSETS:									
CASH AND CASH EQUIVALENTS	$ 4,832	$ 4,555	$ 738	$ 784	$ 251	$ 4,294	$1,318	$ 16,772	$ 13,468
CASH ON DEPOSIT WITH FISCAL AGENT						362		362	1,601
INVESTMENTS, at cost						58,050		58,050	
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $3		58	144	183	16		16	417	245
INVENTORIES, at cost		64	465	2,053	1,098		82	3,762	4,689
PREPAID EXPENSES	2			57			20	79	77
TOTAL CURRENT ASSETS	4,834	4,677	1,347	3,077	1,365	62,706	1,436	79,442	20,080
OTHER ASSETS:									
INVESTMENTS, at cost						52,260		52,260	110,232
DEFERRED CHARGES						1,952		1,952	2,385
TOTAL OTHER ASSETS						54,212		54,212	112,617
MACHINERY AND EQUIPMENT, at cost	14,408	12,307	702	1,401	1,625		1,095	31,538	29,036
LESS ACCUMULATED DEPRECIATION	(12,244)	(5,157)	(272)	(570)	(746)		(519)	(19,508)	(16,935)
TOTAL FIXED ASSETS	2,164	7,150	430	831	879		576	12,030	12,101
TOTAL ASSETS	$ 6,998	$11,827	$1,777	$3,908	$2,244	$116,918	$2,012	$145,684	$144,798
LIABILITIES AND FUND EQUITY									
LIABILITIES:									
CURRENT LIABILITIES:									
WARRANTS PAYABLE	$ 229	$ 217	$ 111	$ 96	$ 160	$ 100	$ 64	$ 967	$ 544
ACCOUNTS PAYABLE AND ACCRUALS:									
ACCOUNTS PAYABLE	399	681	182	207	125	3,140	92	4,826	2,962
ACCRUED PAYROLL AND RELATED DEDUCTIONS	139	17	32	35	18		8	249	230
INTERFUND PAYABLES (Note 2)	38	5	9	10	5		3	70	67
NOTES PAYABLE (Note 3)					102			102	125
BONDS PAYABLE						58,005		58,005	
DEFERRED REVENUE						279		279	264
TOTAL CURRENT LIABILITIES	805	920	334	348	400	61,524	167	64,498	4,192
LONG-TERM DEBT:									
BONDS PAYABLE (Note 3)						52,985		52,985	110,990
CALL PREMIUMS PAYABLE						1,533		1,533	3,867
TOTAL LONG-TERM DEBT						54,518		54,518	114,857
TOTAL LIABILITIES	805	920	334	348	400	116,042	167	119,016	119,049
FUND EQUITY:									
CONTRIBUTED CAPITAL	4,888	10,150	754	3,785	907		1,199	21,683	20,808
RETAINED EARNINGS (DEFICIT)	1,305	757	689	(225)	937	876	646	4,985	4,941
TOTAL FUND EQUITY	6,193	10,907	1,443	3,560	1,844	876	1,845	26,668	25,749
TOTAL LIABILITIES AND FUND EQUITY	$ 6,998	$11,827	$1,777	$3,908	$2,244	$116,918	$2,012	$145,684	$144,798

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	TENNESSEE STATE INDUSTRIES	INSTITUTIONAL FARMS	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
OPERATING REVENUES:								
CHARGES FOR SERVICES	$10,543	$ 6,724	$2,537	$5,290	$2,046		$2,208	$24,841
INTEREST INCOME						$5,848		5,628
OTHER	5			20				113
TOTAL OPERATING REVENUES	10,548	6,724	2,537	5,310	2,046	5,848	2,208	30,582
OPERATING EXPENSES:								
PERSONAL SERVICES	4,581	542	1,022	1,104	539		547	8,014
CONTRACTUAL SERVICES	1,102	94	131	491	258		329	2,362
MATERIALS AND SUPPLIES	574	3,804	1,009	3,856	1,214		1,105	9,030
RENTALS AND INSURANCE	3,874	12	131	2	23			2,957
INTEREST					17	6,008		6,040
DEPRECIATION AND AMORTIZATION	1,622	1,616	61	58	134	432	172	4,119
OTHER	34	41	7	166	66		24	299
TOTAL OPERATING EXPENSES	11,787	6,109	2,361	5,677	2,251	6,440	2,177	32,821
OPERATING INCOME (LOSS)	(1,239)	615	176	(367)	(205)	(592)	31	(2,239)
OPERATING TRANSFERS FROM GENERAL FUND				177	457	765	214	1,305
OPERATING TRANSFER FROM CAPITAL PROJECTS FUND								13
NET INCOME (LOSS)/CHANGE IN RETAINED EARNINGS	(1,239)	615	176	(190)	252	173	245	(921)
OTHER CHANGES IN FUND EQUITY:								
CONTRIBUTED EQUIPMENT		408		467				677
EQUITY TRANSFER FROM GENERAL FUND							12	
NET CHANGE IN FUND EQUITY	(1,239)	1,023	176	277	252	173	257	(244)
FUND EQUITY, JULY 1	7,432	9,884	1,267	3,283	1,592	703	1,588	25,993
FUND EQUITY, JUNE 30	$ 6,193	$10,907	$1,443	$3,560	$1,844	$ 876	$1,845	$25,749

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	INFORMATION SYSTEM SERVICES	MOTOR VEHICLE MANAGEMENT	GENERAL SERVICES PRINTING	TENNESSEE STATE INDUSTRIES	INSTITUTIONAL FARMS	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
SOURCES OF WORKING CAPITAL:									
OPERATIONS:									
NET INCOME (LOSS)	($1,239)	$ 615	$176	($190)	$252	$ 173	$245	$ 32	($ 921)
ITEMS NOT REQUIRING WORKING CAPITAL - DEPRECIATION AND AMORTIZATION	1,622	1,616	61	58	134	432	172	4,095	4,119
WORKING CAPITAL PROVIDED BY OPERATIONS	383	2,231	237	(132)	386	605	417	4,127	3,198
DECREASE IN LONG-TERM INVESTMENTS						58,050		58,050	
DISPOSAL OF MACHINERY AND EQUIPMENT	17	313	49	13	29			421	459
EQUITY TRANSFERS FROM GENERAL FUND							12	12	
TOTAL SOURCES OF WORKING CAPITAL	400	2,544	286	(119)	415	58,655	429	62,610	3,657
USES OF WORKING CAPITAL:									
ACQUISITION OF MACHINERY AND EQUIPMENT	285	2,075	179	81	459		59	3,138	3,698
PURCHASE OF LONG-TERM INVESTMENTS						77		77	78
DECREASE IN LONG-TERM DEBT						60,339		60,339	125
TOTAL USES OF WORKING CAPITAL	285	2,075	179	81	459	$60,416	59	63,554	3,901
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 115	$ 469	$107	($200)	($ 44)	($ 1,761)	$370	($ 944)	($ 244)
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:									
CASH	$ 24	$ 907	$ 22	$499	$ 99	$ 1,348	$405	$ 3,304	($1,285)
CASH ON DEPOSIT WITH FISCAL AGENT						(1,239)		(1,239)	1,201
INVESTMENTS						58,050		58,050	
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles	(22)	30	144	15	(2)		7	172	(472)
NOTES RECEIVABLE									(16)
INVENTORIES		(16)	(59)	(781)	(23)		(48)	(927)	528
PREPAID EXPENSES	(8)						10	2	64
WARRANTS PAYABLE	(79)	(145)	(45)	45	(93)	(100)	(6)	(423)	902
ACCOUNTS PAYABLE AND ACCRUALS	199	(306)	46	23	(47)	(1,800)	2	(1,883)	(1,748)
INTERFUND PAYABLES	1	(1)	(1)	(1)	(1)			(3)	(4)
NOTES PAYABLE					23			23	620
BONDS PAYABLE						(58,005)		(58,005)	
DEFERRED REVENUE						(15)		(15)	(34)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 115	$ 469	$107	($200)	($ 44)	($ 1,761)	$370	($ 944)	($ 244)

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
NARRATIVE EXPLANATIONS
ALL INTERNAL SERVICE FUNDS
JUNE 30, 1981

The Internal Service Funds are used to account for the operations of state agencies that provide goods or services to other state agencies on a cost reimbursement basis. The following operations are included in these funds:

Information System Services, a division of the Department of Finance and Administration - This agency functions as the data processing service bureau for state government;

Motor Vehicle Management, a division of the Department of General Services - This division is responsible for administering a uniform program for the operation and maintenance of all state vehicles;

Printing, also a division of the Department of General Services - This agency operates a printing facility to provide such services as general printing, typesetting and binding for state agencies located in Nashville;

Tennessee State Industries, a division of the Department of Correction - Located at the state prison in Nashville, the industries workshops manufacture furniture, license plates and other products for state, county and municipal offices and institutions;

Institutional Farms, also a division of the Department of Correction - Farming operations are conducted at four correctional sites in the state. Food crops are grown and animals are raised for sale and use within the system;

Tennessee State School Bond Authority (TSSBA) - Established in 1965, the TSSBA provides a mechanism for financing building projects for the state's universities. Agreements are executed between the governing boards of the institutions and the TSSBA, and revenue bonds are issued using the constructed facilities as collateral. Charges levied by the universities on users of the facilities provide the funds necessary for payment of principal and interest on bonds. Any collections in excess of these requirements are retained by the institutions to cover administrative fees, building maintenance and related costs;

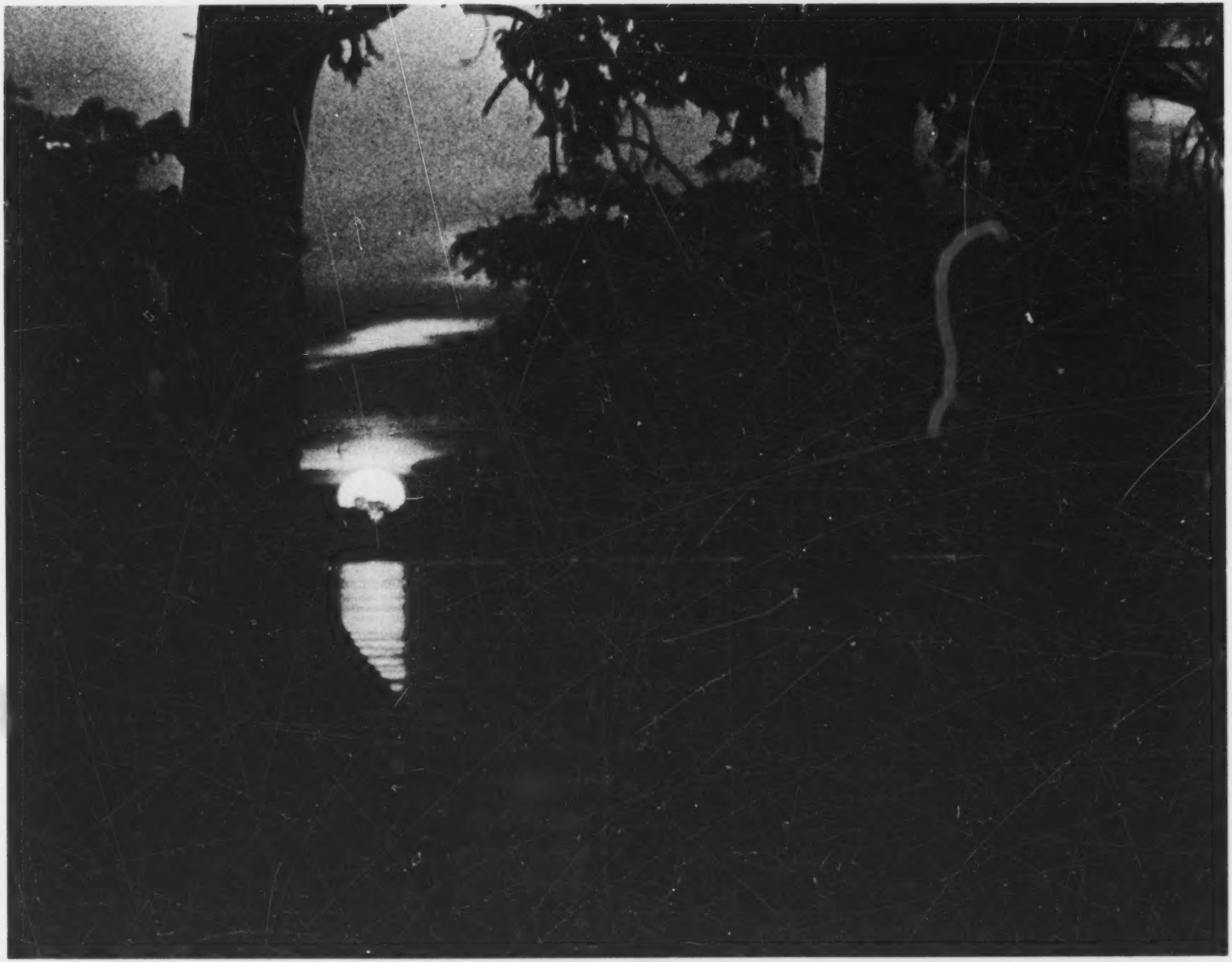
Other - Four smaller internal service agencies are included in this group, as follows:

1. Legislative Services, a division of the Legislative branch - This division collects revenue from the printing and distribution of proposed bills, legislative calendars and other information during the legislative session;

2. Capitol Print Shop, a division of the Office of the Comptroller - This facility is responsible for providing printing, mailing and other office services for the state agencies located in the Capitol;

3. Postal Services, a division of the Department of General Services - This agency processes and distributes incoming, outgoing and interdepartmental mail for state agencies located in Nashville;

4. State Copier Services, also a division of the Department of General Services - Established in 1978, this division is responsible for the installation and management of state-owned copier machines located in selected state agencies with high volume activity.



Reelfoot Lake, the State's largest natural lake, near Tiptonville

TRUST AND AGENCY FUNDS

Trust and Agency Funds are maintained to account for assets held by the State acting in the capacity of trustee or agent.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1981

(Expressed in Thousands)

	EXPENDABLE TRUST		NONEXPENDABLE TRUST			AGENCY		TOTALS	
ASSETS	EMPLOYEE GROUP INSURANCE	LOCAL GOVERNMENT INVESTMENT	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	PENSION TRUST	LOCAL GOVERNMENT	CONTINGENT REVENUE	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$22,248	$3,161	$4,184	$3,565	$ 85,756	$55,397	$51,544	$ 225,856	$ 280,798
INVESTMENTS, at cost or amortized cost					1,974,586			1,974,586	1,602,021
RECEIVABLES:									
INTEREST AND DIVIDENDS			72		32,955			33,027	26,821
DUE FROM OTHER GOVERNMENTS			363	3,531	7,577		15,351	26,822	25,244
NOTES RECEIVABLE			2,095					2,095	2,403
OTHER	1,187		352					1,539	1,201
INTERFUND RECEIVABLES (Note 2)	1,403				4,513		4,862	10,778	9,767
TOTAL ASSETS	$24,838	$3,161	$7,066	$7,097	$2,105,387	$55,397	$71,757	$2,274,703	$1,948,255
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
WARRANTS PAYABLE	$ 1,391		$ 199	$ 28	$ 12,553	$ 827	$ 2,079	$ 17,077	$ 19,190
ACCOUNTS PAYABLE AND ACCRUALS	1,342		66		20,345	54,570	34,086	110,409	131,797
MEMBERS DEPOSITS		$3,159						3,159	
INTERFUND PAYABLES (Note 2)			3					3	3
AMOUNTS HELD IN CUSTODY FOR OTHERS							35,592	35,592	19,918
OTHER			1,349					1,349	905
TOTAL LIABILITIES	2,733	3,159	1,617	28	32,898	55,397	71,757	167,509	171,813
FUND BALANCES (Note 1):									
RESERVED FOR MEMBER CONTRIBUTIONS (Note 2)					590,071			590,071	516,733
RESERVED FOR EMPLOYER CONTRIBUTIONS (Note 2)					1,482,418			1,482,418	1,228,863
RESERVED FOR CLAIMS INCURRED BUT UNPAID	12,900							12,900	10,900
RESERVED FOR GUARANTEED STUDENT LOANS			2,417					2,417	1,710
RESERVED FOR ASSESSMENT EQUALIZATION AND REAPPRAISAL PROGRAM				4,508				4,508	3,870
UNRESERVED	9,205	2	3,032	2,561				14,800	14,366
TOTAL FUND BALANCES	22,105	2	5,449	7,069	2,072,489			2,107,114	1,776,442
TOTAL LIABILITIES AND FUND BALANCES	$24,838	$3,161	$7,066	$7,097	$2,105,387	$55,397	$71,757	$2,274,703	$1,948,255

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF REVENUES, *EXPENDITURES*/EXPENSES AND CHANGES IN FUND BALANCES
ALL TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	EXPENDABLE TRUST		NONEXPENDABLE TRUST			TOTALS FOR THE YEAR ENDED	
	EMPLOYEE GROUP INSURANCE	*LOCAL GOVERNMENT INVESTMENT*	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	PENSION TRUST	JUNE 30, 1981	JUNE 30, 1980
REVENUES/OPERATING REVENUES:							
MEMBER CONTRIBUTIONS	*$19,557*				$ 95,229	$ 114,786	$ 106,975
EMPLOYER CONTRIBUTIONS	*25,600*				228,479	254,079	246,222
INTEREST INCOME	*2,629*	*$183*	$ 581	$ 85	122,724	126,202	90,483
DIVIDEND INCOME					22,607	22,607	21,608
NET INCOME FROM INVESTMENT TRANSACTIONS					16,740	16,740	14,479
FEDERAL			1,562			1,562	1,518
OTHER			469			469	22
TOTAL REVENUES/OPERATING REVENUES	*47,786*	*183*	2,612	85	485,779	536,445	481,307
EXPENDITURES/OPERATING EXPENSES:							
BENEFITS	*36,843*				125,477	162,320	145,893
REFUNDS					21,878	21,873	21,677
PAYMENTS TO TIAA-CREF					11,560	11,560	10,790
INSURANCE PREMIUMS	*7,114*					7,114	7,038
INTEREST ON DEPOSITS		*177*				177	
GRANTS			6,475	89		6,564	6,035
LOAN CANCELLATIONS			209			209	165
ADMINISTRATIVE FEES	*730*	*4*	592			1,326	1,194
TOTAL EXPENDITURES/OPERATING EXPENSES	*44,687*	*181*	7,276	89	158,915	211,148	192,792
EXCESS OF REVENUES OVER EXPENDITURES/ OPERATING INCOME (LOSS)	*3,099*	*2*	(4,664)	(4)	326,864	325,297	288,515
OPERATING TRANSFER FROM GENERAL FUND			5,346			5,346	5,087
OPERATING TRANSFER FROM SPECIAL REVENUE FUND					29	29	30
EXCESS OF REVENUES OVER EXPENDITURES/ NET INCOME (LOSS)	*3,099*	*2*	682	(4)	326,893	330,672	293,632
FUND BALANCES, JULY 1	*19,006*		4,767	7,073	1,745,596	1,776,442	1,482,810
FUND BALANCES, JUNE 30	*$22,105*	*$ 2*	$5,449	$7,069	$2,072,489	$2,107,114	$1,776,442

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
NONEXPENDABLE AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	NONEXPENDABLE TRUST			TOTALS FOR THE YEAR ENDED	
	STUDENT ASSISTANCE CORPORATION	BOARD OF EQUALIZATION LOAN	PENSION TRUST	JUNE 30, 1981	JUNE 30, 1980
SOURCES OF WORKING CAPITAL:					
WORKING CAPITAL PROVIDED BY NET INCOME (LOSS) FROM OPERATIONS	$ 682	($ 4)	$326,893	$327,571	$286,980
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 682	($ 4)	$326,893	$327,571	$286,980
ELEMENTS OF NET CHANGES IN WORKING CAPITAL:					
CASH	$1,394	$685	($ 36,290)	($ 34,211)	$ 27,803
INVESTMENTS			372,565	372,565	262,692
RECEIVABLES	(265)	(701)	6,558	5,592	1,036
INTERFUND RECEIVABLES			347	347	(59)
WARRANTS PAYABLE	6	(28)	1,119	1,097	(3,831)
ACCOUNTS PAYABLE AND ACCRUALS	(9)	40	(17,406)	(17,375)	(660)
INTERFUND PAYABLES					(1)
OTHER	(444)			(444)	
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 682	($ 4)	$326,893	$327,571	$286,980

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
NARRATIVE EXPLANATIONS
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1981

The Trust and Agency Funds are used to account for assets held by the state in a fiduciary capacity. Trust funds include the Employee Group Insurance Fund, the Local Government Investment Fund, the Student Assistance Corporation Fund, the Board of Equalization Loan Fund and the Pension Trust Fund. The Local Government Fund and the Contingent Revenue Fund are agency funds.

Trust Funds:

Employee Group Insurance Fund - Established in January 1978, this fund is used to account for transactions pertaining to the state's self-insured group medical plan. Prior to 1978 medical insurance was provided by a private carrier. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

Local Government Investment Fund - This fund was created in July 1980 to account for local government deposits with the state treasurer and the related interest earnings. Through this program the participating local governments achieve higher investment income by pooling their funds with the treasurer than they could realize individually.

Student Assistance Corporation Fund - This fund is used to account for the operations of the Tennessee Student Assistance Corporation (TSAC), a nonprofit organization created to administer loan and grant programs to students attending higher education institutions. TSAC was established in 1974 to (1) guarantee loans made to eligible students, (2) administer state awards of financial assistance to eligible students, and (3) administer the nursing and medical loan scholarship programs.

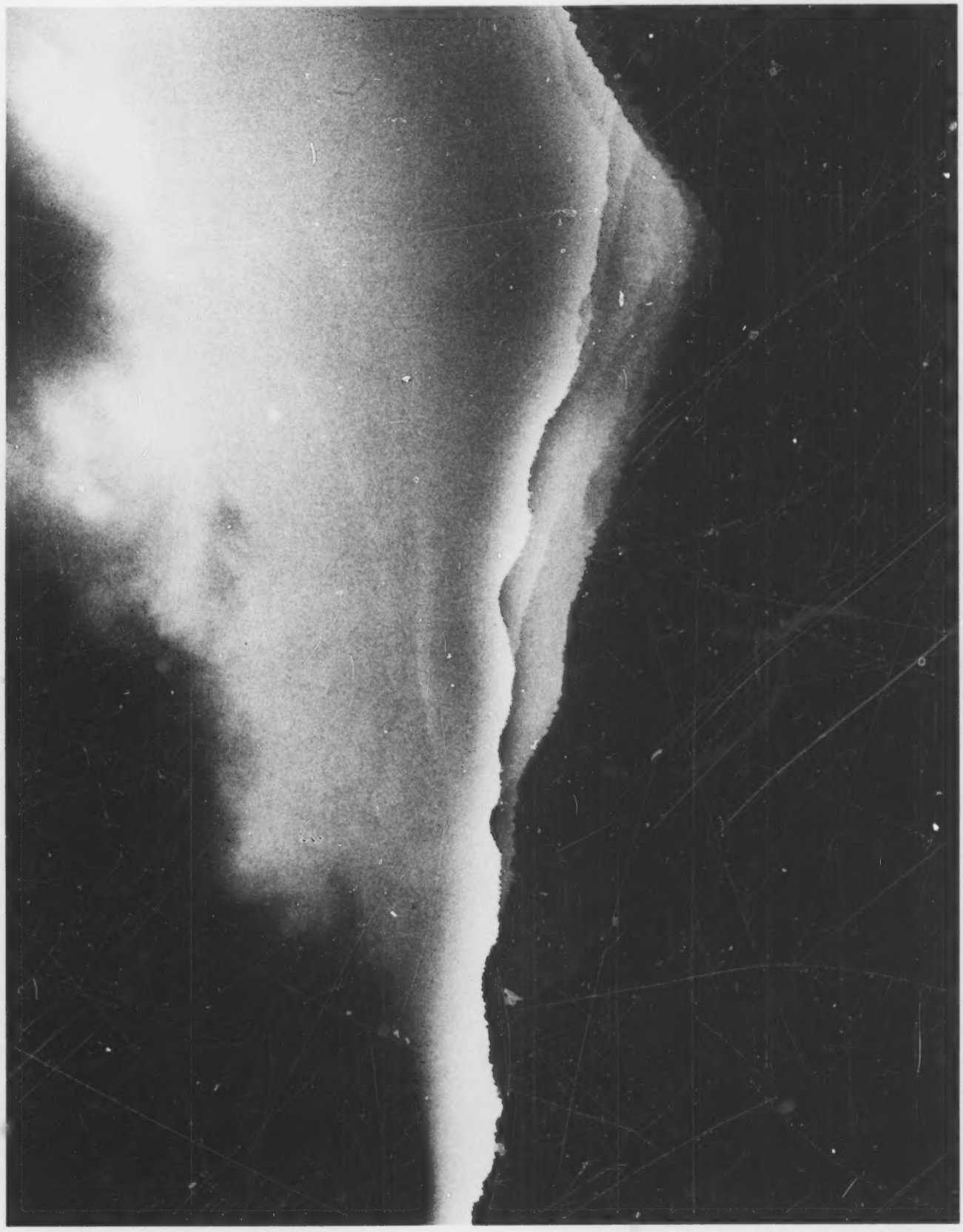
Board of Equalization Loan Fund - This fund was created in 1963 to account for state loans to city and county governments for a program of assessment, reassessment or equalization of property taxes. In 1967 the program was expanded to enable grants also to be made for these purposes. Cash in the fund not needed for loans or grants may be transferred to other state activities by legislative act.

Pension Trust Fund - The Tennessee Consolidated Retirement System was established in July 1972 superseding seven former retirement systems. The accounts of each superseded system were transferred to the new system wherein separate accounting is maintained for assets and liabilities attributable to the various classes of members and beneficiaries. Benefits under the system are funded by contributions of members and employers. Effective July 1981 contributions of up to 5% of the earnable compensation of most classes of state employees, formerly paid by those employees, were assumed by the state pursuant to non-contributory legislation. The level of contributions is determined by actuarial valuation, the latest having been performed as of June 30, 1981. As of that date there were 141,725 active members and 35,885 retired members representing a 2.1% and 11.4% increase, respectively, since the previous actuarial valuation in 1979.

Agency Funds:

Local Government Fund - The purpose of the Local Government Fund is to serve as a clearing mechanism for state-shared taxes and other funds distributed to the various counties and cities of the state.

Contingent Revenue Fund - This fund is used to account for unearned federal revenues, refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds or until there is proper authorization to disburse them directly to others.



The Smoky Mountains

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes. These include all fixed assets except those of the Enterprise, Internal Service and College and University Funds.

STATE OF TENNESSEE
STATEMENT OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1981

(Expressed in Thousands)

FUNCTION AND ACTIVITY	LAND	STRUCTURES AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT:				
LEGISLATIVE			$ 1,469	$ 1,469
CONSTITUTIONAL OFFICES			380	380
ADMINISTRATION	$ 8,024	$110,606	2,500	121,130
REVENUE	2	2,629	1,524	4,155
TOTAL GENERAL GOVERNMENT	8,026	113,235	5,873	127,134
EDUCATION	697	108,066	54,204	162,967
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS			25	25
EMPLOYMENT SECURITY	587	2,996	2,039	5,622
MENTAL HEALTH AND MENTAL RETARDATION	1,815	120,985	24,263	147,063
PUBLIC HEALTH	154	19,405	6,848	26,407
HUMAN SERVICES	26	865	7,310	8,201
TOTAL HEALTH AND SOCIAL SERVICES	2,582	144,251	40,485	187,318
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL		20	1,441	1,461
CORRECTION	2,117	99,156	6,509	107,782
MILITARY	239	30,022	2,063	32,324
BUREAU OF CRIMINAL INVESTIGATION		908	1,405	2,313
SAFETY	150	3,515	10,551	14,216
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	2,506	133,621	21,969	158,096
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	189	5,209	841	6,239
TOURIST DEVELOPMENT			98	98
CONSERVATION	25,810	76,066	11,028	112,904
WILDLIFE RESOURCES	5,401	4,785	3,248	13,434
ECONOMIC AND COMMUNITY DEVELOPMENT			817	817
TOTAL RECREATION AND RESOURCES DEVELOPMENT	31,400	86,060	16,032	133,492
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE			226	226
BANKING			18	18
LABOR	1	45	375	421
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	1	45	619	665
TRANSPORTATION	1,150	17,220	43,828	62,198
TOTALS ALLOCATED TO FUNCTIONS	$46,362	$602,498	$183,010	831,870
CONSTRUCTION IN PROGRESS				25,379
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)				$857,249

See accompanying Notes to the Financial Statements.

STATE OF TENNESSEE
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

FUNCTION AND ACTIVITY	GENERAL FIXED ASSETS, JULY 1, 1980	ADDITIONS	RETIREMENTS	GENERAL FIXED ASSETS, JUNE 30, 1981
GENERAL GOVERNMENT:				
LEGISLATIVE	$ 2,144	$ 9	$ 684	$ 1,469
CONSTITUTIONAL OFFICES	391	44	55	380
ADMINISTRATION	81,354	48,244	8,468	121,130
REVENUE	3,408	803	56	4,155
TOTAL GENERAL GOVERNMENT	87,297	49,100	9,263	127,134
EDUCATION	93,221	72,544	2,798	162,967
HEALTH AND SOCIAL SERVICES:				
VETERANS AFFAIRS	25			25
EMPLOYMENT SECURITY	5,949	220	547	5,622
MENTAL HEALTH AND MENTAL RETARDATION	135,540	12,151	628	147,063
PUBLIC HEALTH	20,481	6,558	632	26,407
HUMAN SERVICES	8,239	441	479	8,201
TOTAL HEALTH AND SOCIAL SERVICES	170,234	19,370	2,286	187,318
LAW, JUSTICE AND PUBLIC SAFETY:				
JUDICIAL	1,401	161	101	1,461
CORRECTION	71,583	36,629	430	107,782
MILITARY	23,093	9,591	360	32,324
BUREAU OF CRIMINAL INVESTIGATION		2,337	24	2,313
SAFETY	11,818	7,759	5,361	14,216
TOTAL LAW, JUSTICE AND PUBLIC SAFETY	107,895	56,477	6,276	158,096
RECREATION AND RESOURCES DEVELOPMENT:				
AGRICULTURE	3,028	3,432	221	6,239
TOURIST DEVELOPMENT	117	17	36	98
CONSERVATION	90,067	23,047	210	112,904
WILDLIFE RESOURCES	13,236	571	373	13,434
ECONOMIC AND COMMUNITY DEVELOPMENT	807	11	1	817
TOTAL RECREATION AND RESOURCES DEVELOPMENT	107,255	27,078	841	133,492
REGULATION OF BUSINESS AND PROFESSIONS:				
INSURANCE	218	28	20	226
BANKING	18	2	2	18
LABOR	392	33	4	421
TOTAL REGULATION OF BUSINESS AND PROFESSIONS	628	63	26	665
TRANSPORTATION	61,515	2,896	2,213	62,198
CONSTRUCTION IN PROGRESS	188,062	43,572	206,255	25,379
TOTAL GENERAL FIXED ASSETS (Notes 1 and 2)	$816,107	$271,100	$229,958	$857,249

See accompanying Notes to the Financial Statements.

The Smoky Mountains

GENERAL LONG-TERM DEBT ACCOUNT GROUP

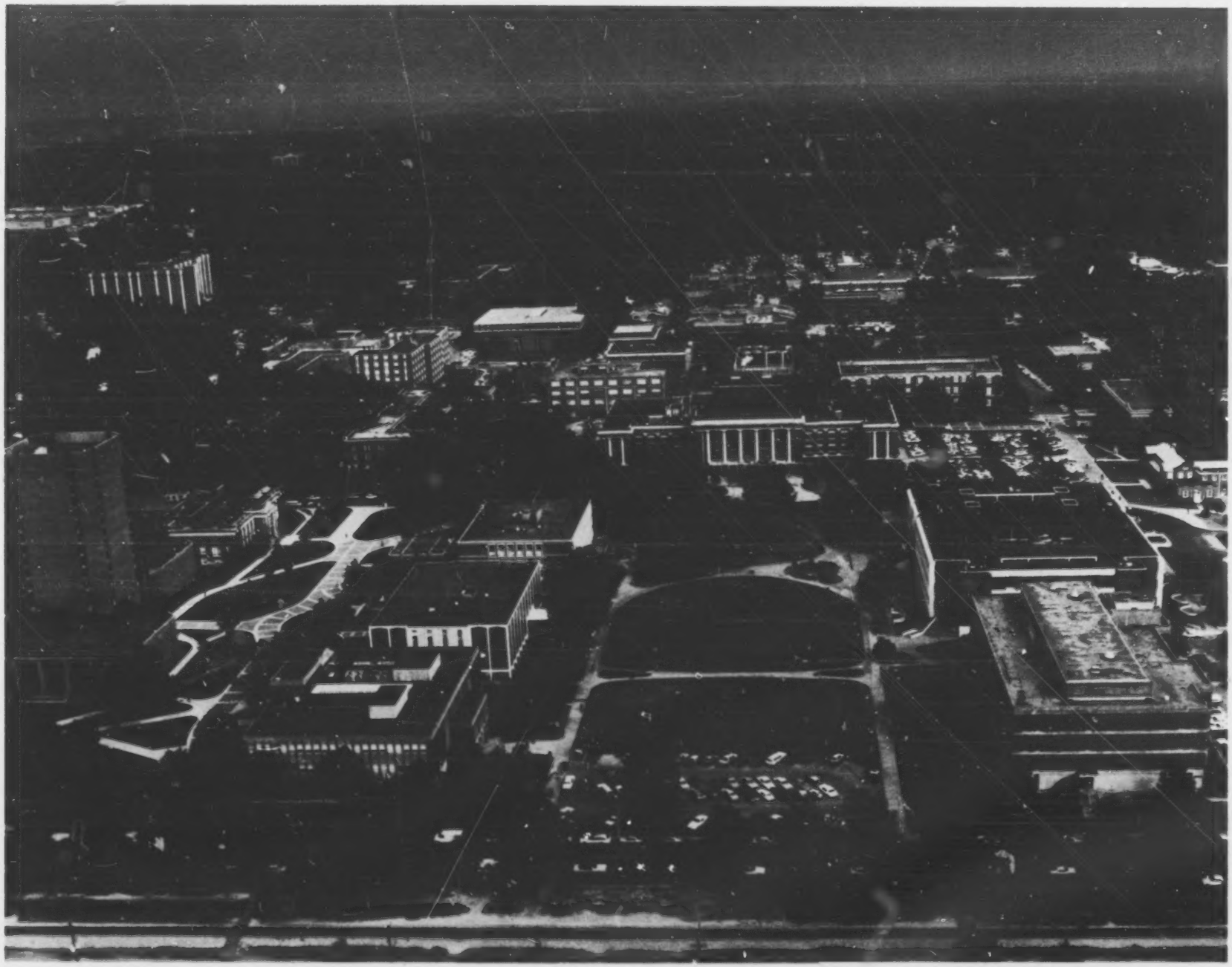
The General Long-Term Debt Account Group is maintained to account for the outstanding principal balances of the State's general obligation bonds.

STATE OF TENNESSEE
STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	BALANCE JULY 1, 1980	GENERAL OBLIGATION BONDS ISSUED	GENERAL OBLIGATION BONDS RETIRED	DEBT SERVICE FUND		BALANCE JUNE 30, 1981
				OPERATIONS	CAPITAL OUTLAY RESERVE	
AMOUNT AVAILABLE IN DEBT SERVICE FUND	$ 2,821			($2,328)	$2,404	$ 2,897
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT	600,199	$38,300	$51,125	2,328	(2,404)	587,298
TOTAL AVAILABLE AND TO BE PROVIDED	$603,020	$38,300	$51,125	$ -	$ -	$590,195
GENERAL OBLIGATION DEBT PAYABLE (Note 3)	$603,020	$38,300	$51,125	$ -	$ -	$590,195

See accompanying Notes to the Financial Statements.



Memphis State University

COLLEGE AND UNIVERSITY FUNDS

The College and University Funds are maintained to account for all transactions relating to institutions of higher education.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
JUNE 30, 1981

(Expressed in Thousands)

	UNRESTRICTED				TOTALS	
ASSETS	GENERAL	AUXILIARY ENTERPRISES AND HOSPITALS	TOTAL	RESTRICTED	JUNE 30, 1981	JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$ 89,979	$ 9,648	$ 99,627	$ 1,212	$100,839	$ 96,401
INVESTMENTS, at cost				89	89	84
ACCOUNTS RECEIVABLE, net of allowance for uncollectibles of $4,604 in 1981 and $5,971 in 1980 (Note 1)	7,784	29,072	36,856	23,810	60,666	54,845
NOTES RECEIVABLE				10	10	9
INTERFUND RECEIVABLES (Note 2)	9,771	3,273	13,044	17	13,061	10,852
INVENTORIES, at cost	6,318	9,632	15,950	59	16,009	14,123
DEFERRED CHARGES	674	101	775		775	978
OTHER ASSETS	56		56	350	406	377
TOTAL ASSETS	$114,582	$51,726	$166,308	$25,547	$191,855	$177,669
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
ACCOUNTS PAYABLE	$ 10,338	$ 7,732	$ 18,070	$ 1,609	$ 19,679	$ 16,830
ACCRUED LIABILITIES	16,093	158	16,251	115	16,366	13,411
INTERFUND PAYABLES (Note 2)	25,913	9,870	35,783	4,437	40,220	34,632
DEPOSITS AND ADVANCE PAYMENTS	1,314	270	1,584		1,584	1,538
DEFERRED REVENUE	11,396	5,806	17,202	272	17,474	16,529
OTHER	3,183	80	3,263		3,263	2,905
TOTAL LIABILITIES	68,237	23,916	92,153	6,433	98,586	85,845
FUND BALANCES (Note 1):						
ALLOCATED:						
NON-DISCRETIONARY:						
ALLOCATION FOR WORKING CAPITAL	13,915	38,758	52,673		52,673	39,742
ALLOCATION FOR ENCUMBRANCES	7,047	220	7,267		7,267	6,325
OTHER ALLOCATIONS	1,568		1,568	19,114	20,682	27,378
DISCRETIONARY	13,891	2,568	16,459		16,459	14,367
UNALLOCATED	9,924	(13,736)	(3,812)		(3,812)	4,012
TOTAL FUND BALANCES	46,345	27,810	74,155	19,114	93,269	91,824
TOTAL LIABILITIES AND FUND BALANCES	$114,582	$51,726	$166,308	$25,547	$191,855	$177,669

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	UNRESTRICTED	RESTRICTED	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
REVENUES AND OTHER ADDITIONS:				
UNRESTRICTED REVENUES:				
GENERAL	$429,899		$429,899	$402,594
AUXILIARY ENTERPRISES AND HOSPITALS	156,143		156,143	131,627
RESTRICTED GIFTS, GRANTS AND CONTRACTS		$155,476	155,476	137,406
OTHER ADDITIONS	220	3,029	3,249	1,408
TOTAL REVENUES AND OTHER ADDITIONS	586,262	158,505	744,767	673,035
EXPENDITURES AND OTHER DEDUCTIONS:				
EDUCATIONAL AND GENERAL EXPENDITURES	424,108	144,029	568,137	514,291
AUXILIARY ENTERPRISE AND HOSPITAL EXPENDITURES	140,808	2,074	142,882	115,958
INDIRECT COSTS RECOVERED		9,764	9,764	9,476
REFUNDS TO GRANTORS		857	857	1,999
OTHER DEDUCTIONS	429	8,013	8,442	1,463
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	565,345	164,737	730,082	643,187
TRANSFERS AMONG FUNDS - (DEDUCTIONS)	(13,027)	(213)	(13,240)	(24,035)
NET INCREASE (DECREASE) IN FUND BALANCES	7,890	(6,445)	1,445	5,813
FUND BALANCES, JULY 1	66,265	25,559	91,824	86,011
FUND BALANCES, JUNE 30	$ 74,155	$ 19,114	$ 93,269	$ 91,824

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
ALL COLLEGE AND UNIVERSITY CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

			TOTALS FOR THE YEAR ENDED	
	UNRESTRICTED	RESTRICTED	JUNE 30, 1981	JUNE 30, 1980
REVENUES:				
TUITION AND FEES	$ 91,159		$ 91,159	$ 76,529
FEDERAL APPROPRIATIONS	15,191		15,191	14,696
STATE APPROPRIATIONS (Note 1)	273,676	$ 24,464	298,140	290,793
LOCAL APPROPRIATIONS	998		998	923
FEDERAL GRANTS AND CONTRACTS	8,875	68,770	77,645	67,703
STATE GRANTS AND CONTRACTS	697	31,542	32,239	27,280
LOCAL GRANTS AND CONTRACTS	2,125	2,506	4,631	4,682
PRIVATE GIFTS, GRANTS AND CONTRACTS	1,914	14,963	16,877	13,956
ENDOWMENT INCOME	38	2,054	2,092	1,668
SALES AND SERVICES OF EDUCATIONAL ACTIVITIES	17,088		17,088	14,210
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	156,143	1,804	157,947	133,515
OTHER SOURCES	18,138		18,138	15,263
TOTAL CURRENT REVENUES	586,042	146,103	732,145	661,218
EXPENDITURES AND TRANSFERS:				
EDUCATIONAL AND GENERAL:				
INSTRUCTION	208,506	50,418	258,924	233,401
RESEARCH	15,929	39,325	55,254	48,997
PUBLIC SERVICE	21,326	20,469	41,795	39,023
ACADEMIC SUPPORT	44,340	8,119	52,459	49,660
STUDENT SERVICES	31,969	4,972	36,941	33,462
INSTITUTIONAL SUPPORT	48,006	7,316	55,322	49,897
OPERATION AND MAINTENANCE OF PLANT	50,234	4,023	54,257	48,037
SCHOLARSHIPS AND FELLOWSHIPS	3,798	9,387	13,185	11,746
OTHER				68
EDUCATIONAL AND GENERAL EXPENDITURES	424,108	144,029	568,137	514,291
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	286		286	303
LOAN FUND MATCHING GRANT	285		285	215
NON-MANDATORY TRANSFERS FOR PLANT FUNDS				8,397
TOTAL EDUCATIONAL AND GENERAL	424,679	144,029	568,708	523,206
AUXILIARY ENTERPRISES AND HOSPITALS:				
EXPENDITURES	140,808	2,074	142,882	115,958
MANDATORY TRANSFERS FOR:				
PRINCIPAL AND INTEREST	7,982		7,982	8,161
RENEWALS AND REPLACEMENTS	32		32	5
NON-MANDATORY TRANSFERS FOR PLANT FUNDS	4,600		4,600	6,579
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	153,422	2,074	155,496	130,703
TOTAL EXPENDITURES AND TRANSFERS	578,101	146,103	724,204	653,909
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):				
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUES		12,402	12,402	11,817
INDIRECT COSTS RECOVERED		(9,764)	(9,764)	(9,476)
REFUNDS TO GRANTORS		(857)	(857)	(1,999)
TRANSFERS FROM (TO) OTHER FUNDS	158	(213)	(55)	(375)
MISCELLANEOUS	(209)	(8,013)	(8,222)	(1,463)
NET INCREASE (DECREASE) IN FUND BALANCES	$ 7,890	($ 6,445)	$ 1,445	$ 5,813

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FIDUCIARY FUNDS
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	LOAN	ENDOWMENT AND SIMILAR	AGENCY	TOTALS JUNE 30, 1981	TOTALS JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$ 3,040	$ 4,618	$ 568	$ 8,226	$ 6,577
INVESTMENTS, at cost or amortized cost	95	31,775		31,870	29,467
ACCOUNTS RECEIVABLE	103	17	1,005	1,125	1,003
NOTES RECEIVABLE, net of allowance for uncollectibles of $1,586 in 1981 and $542 in 1980	36,027	706		36,733	35,361
INTERFUND RECEIVABLES (Note 2)	2	21	164	187	224
OTHER ASSETS	45	1,917	11	1,973	1,588
TOTAL ASSETS	$39,312	$39,054	$1,748	$80,114	$74,220
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
ACCOUNTS PAYABLE		$ 270	$ 16	$ 286	$ 19
INTERFUND PAYABLES (Note 2)	$ 64	6	753	823	401
NOTES PAYABLE (Note 3)		16		16	32
AMOUNTS HELD IN CUSTODY FOR OTHERS			979	979	1,109
TOTAL LIABILITIES	64	292	1,748	2,104	1,561
FUND BALANCES (Note 1):					
U.S. GOVERNMENT GRANTS REFUNDABLE	33,292			33,292	32,187
INSTITUTIONAL FUNDS - RESTRICTED	5,936			5,936	5,912
ENDOWMENT		25,481		25,481	21,776
TERM ENDOWMENT		6		6	6
LIFE INCOME		11,134		11,134	11,238
INSTITUTIONAL FUNDS - UNRESTRICTED	20			20	17
QUASI-ENDOWMENT		2,141		2,141	1,523
TOTAL FUND BALANCES	39,248	38,762		78,010	72,659
TOTAL LIABILITIES AND FUND BALANCES	$39,312	$39,054	$1,748	$80,114	$74,220

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FUND BALANCES
ALL COLLEGE AND UNIVERSITY FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	LOAN	ENDOWMENT AND SIMILAR	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	TOTALS FOR THE YEAR ENDED JUNE 30, 1980
REVENUES AND OTHER ADDITIONS:				
RESTRICTED GIFTS AND GRANTS	$ 103	$ 3,632	$ 3,735	$ 5,309
INVESTMENT AND INTEREST INCOME	855	1,621	2,476	2,335
GOVERNMENTAL GRANTS AND CONTRACTS	3,040		3,040	2,690
OTHER ADDITIONS	104	5	109	109
TOTAL REVENUES AND OTHER ADDITIONS	4,102	5,258	9,360	10,443
EXPENDITURES AND OTHER DEDUCTIONS:				
REFUNDS TO GRANTORS	203		203	358
ADMINISTRATIVE COSTS	302		302	188
LOAN CANCELLATIONS	1,592		1,592	717
PAYMENTS TO BENEFICIARIES		768	768	744
OTHER DEDUCTIONS	1,164	315	1,479	972
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	3,261	1,083	4,344	2,979
TRANSFER AMONG FUNDS - ADDITIONS	291	44	335	233
NET INCREASE IN FUND BALANCES	1,132	4,219	5,351	7,697
FUND BALANCES, JULY 1	38,116	34,543	72,659	64,962
FUND BALANCES, JUNE 30	$39,248	$38,762	$78,010	$72,659

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY PLANT FUNDS
JUNE 30, 1981

(Expressed in Thousands)

ASSETS	UNEXPENDED	RENEWAL AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	TOTALS JUNE 30, 1981	TOTALS JUNE 30, 1980
CASH AND CASH EQUIVALENTS	$ 29,922	$2,477	$ 6,627		$ 39,026	$ 36,111
CASH ON DEPOSIT WITH FISCAL AGENTS		971	16,338		17,309	16,937
INVESTMENTS, at cost or amortized cost	2,500				2,500	4,500
ACCOUNTS RECEIVABLE	89	13	93		195	445
AUTHORIZED CONSTRUCTION PROJECTS (Note 1)	80,300				80,300	63,208
INTERFUND RECEIVABLES (Note 2)	12,827	986	7,620		21,433	18,561
LAND, at cost				$ 47,572	47,572	45,960
BUILDINGS, at cost				787,410	787,410	734,457
IMPROVEMENTS OTHER THAN BUILDINGS, at cost				42,752	42,752	37,038
EQUIPMENT, at cost				169,216	169,216	158,985
LIBRARY BOOKS, at cost				42,690	42,690	40,718
LIVESTOCK, at market				1,942	1,942	1,974
CONSTRUCTION IN PROGRESS, at cost				26,544	26,544	22,436
OTHER ASSETS	53			143	196	434
TOTAL ASSETS	$125,691	$4,447	$30,678	$1,118,269	$1,279,085	$1,181,764
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
ACCOUNTS PAYABLE	$ 3,013		$ 1	$ 22	$ 3,036	$ 3,053
INTERFUND PAYABLES (Note 2)	5		1	140	146	270
NOTES PAYABLE (Note 3)	500			37,078	37,578	16,705
BONDS PAYABLE (Note 3)	1,508			176,115	177,623	181,804
TOTAL LIABILITIES	5,026		2	213,355	218,383	201,832
FUND EQUITY:						
NET INVESTMENT IN PLANT				904,914	904,914	845,037
FUND BALANCES (Note 1):						
RESTRICTED	105,595	$2,946	17,449		125,990	93,677
UNRESTRICTED	15,070	1,501	13,227		29,798	41,218
TOTAL FUND EQUITY	120,665	4,447	30,676	904,914	1,060,702	979,932
TOTAL LIABILITIES AND FUND EQUITY	$125,691	$4,447	$30,678	$1,118,269	$1,279,085	$1,181,764

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
COMBINING STATEMENT OF CHANGES IN FUND EQUITY
ALL COLLEGE AND UNIVERSITY PLANT FUNDS
FOR THE YEAR ENDED JUNE 30, 1981

(Expressed in Thousands)

	UNEXPENDED	RENEWAL AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	TOTALS FOR THE YEAR ENDED JUNE 30, 1981	JUNE 30, 1980
REVENUES AND OTHER ADDITIONS:						
RESTRICTED GIFTS, GRANTS AND CONTRACTS	$ 57,751	$ 89	$ 423	$ 49	$ 58,312	$ 13,606
INTEREST INCOME	1,233	217	2,700		4,150	3,791
GOVERNMENTAL GRANTS	12		398		410	622
STUDENT DEBT SERVICE FEES		5	4,351		4,356	4,265
GOVERNMENTAL APPROPRIATIONS	21,269		767		22,036	31,948
EXPENDED FOR PLANT FACILITIES				91,075	91,075	69,634
RETIREMENT OF INDEBTEDNESS				4,250	4,250	4,246
OTHER ADDITIONS	869	209	142	735	1,955	14,354
TOTAL REVENUES AND OTHER ADDITIONS	81,134	520	8,781	96,109	186,544	142,466
EXPENDITURES AND OTHER DEDUCTIONS:						
EXPENDED FOR PLANT FACILITIES	64,934	640			65,574	47,542
RETIREMENT OF INDEBTEDNESS			4,247		4,247	4,069
INTEREST PAYMENTS			10,949		10,949	10,603
DISPOSAL OF PLANT FACILITIES				14,698	14,698	10,533
NOTES ISSUED				21,204	21,204	15,004
OTHER DEDUCTIONS	1,647	6	24	330	2,007	10,467
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	66,581	646	15,220	36,232	118,679	98,218
TRANSFERS AMONG FUNDS - ADDITIONS	4,199	1,455	7,251		12,905	23,802
NET INCREASE IN FUND EQUITY	18,752	1,329	812	59,877	80,770	68,050
FUND EQUITY, JULY 1	101,913	3,118	29,864	845,037	979,932	911,882
FUND EQUITY, JUNE 30	$120,665	$4,447	$30,676	$904,914	$1,060,702	$979,932

See accompanying Notes to the Financial Statements and Narrative Explanations.

STATE OF TENNESSEE
NARRATIVE EXPLANATIONS
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1981

The College and University Funds are used to account for all transactions relating to public institutions of higher education. These include seven universities, ten community colleges and four technical institutes. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Department of Finance and Administration.

Three governing boards are responsible for the operations of these institutions - the University of Tennessee Board of Trustees, the State Board of Regents and the State Board for Vocational Education. Coordination among these boards for such things as budgetary and capital outlay requests, the need for and location of new higher education institutions, and the approval of new academic and degree programs is provided by the Tennessee Higher Education Commission.

The University of Tennessee Board of Trustees - The University of Tennessee was first established in 1794 by the Legislature of the Federal Territory. Since that time it has grown into an institution of twenty-four different colleges and schools. The locations of its four primary campuses, various experimental stations and extension services have made the university state-wide in physical presence as well as in services. The main campus is located in Knoxville. The other primary campuses are located in Memphis, Martin and Chattanooga.

The State Board of Regents - The State University and Community College System of Tennessee was created by the General Assembly in 1972. Its member institutions (six universities and ten community colleges) serve the state and its citizenry by providing postsecondary education opportunities, research, continuing education and public activities. As a system, the institutions span the state and operate as a coordinated network of public higher education with each campus offering unique characteristics and services. The system consists of the following institutions:

UNIVERSITIES

Austin Peay State University	Clarksville	Middle Tennessee State University	Murfreesboro
East Tennessee State University	Johnson City	Tennessee State University	Nashville
Memphis State University	Memphis	Tennessee Technological University	Cookeville

COMMUNITY COLLEGES

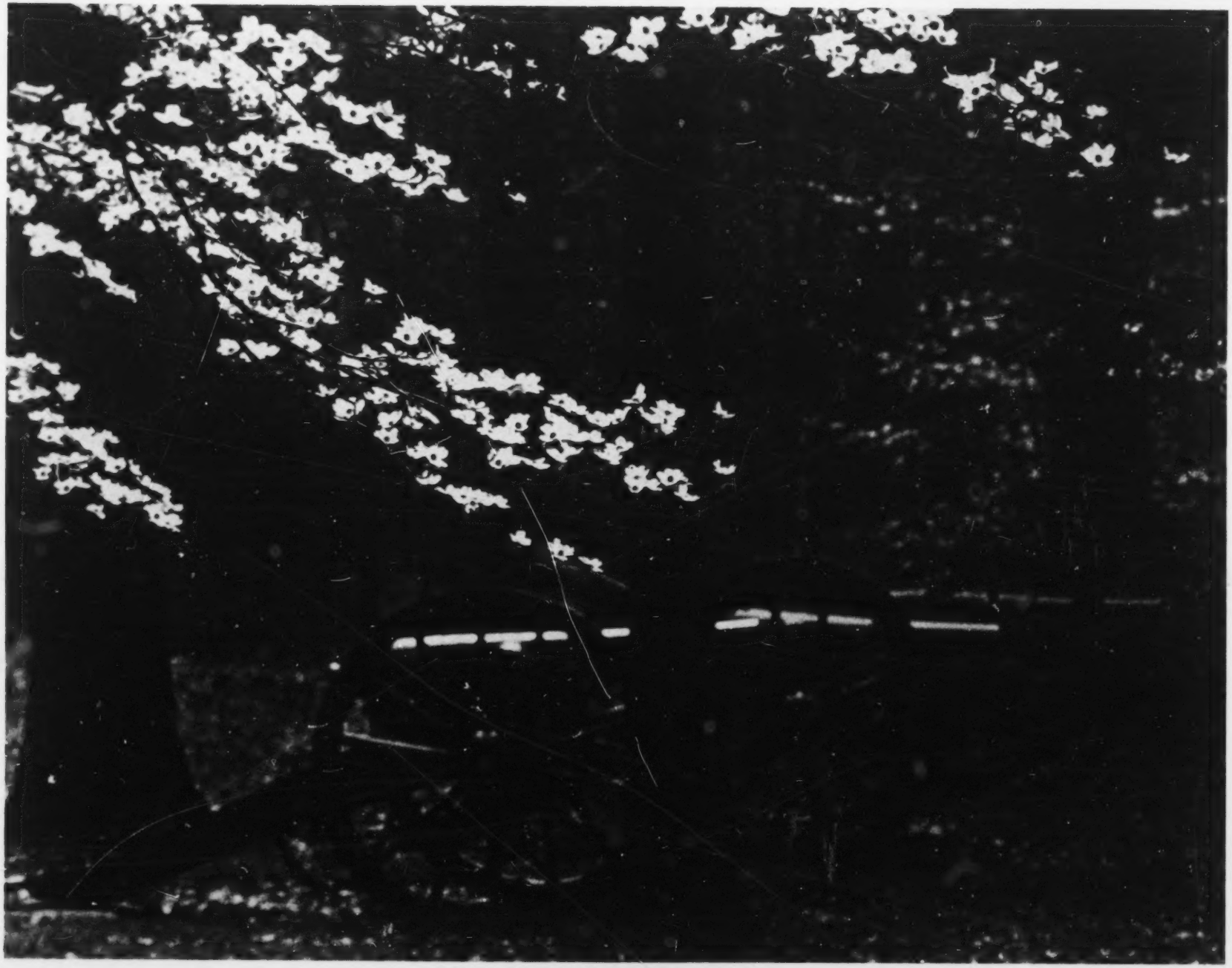
Chattanooga State Technical Community College	Chattanooga	Motlow State Community College	Tullahoma
		Roane State Community College	Harriman
Cleveland State Community College	Cleveland	Shelby State Community College	Memphis
Columbia State Community College	Columbia	Volunteer State Community College	Gallatin
Dyersburg State Community College	Dyersburg	Walters State Community College	Morristown
Jackson State Community College	Jackson		

The community college movement is relatively new in Tennessee. Emerging from legislative study in the early 1960's, nine of the ten existing colleges were established by the General Assembly between 1965 and 1969. The locations of these institutions were determined by population need patterns. An act of the 1973 General Assembly changed the Chattanooga State Technical Institute to Chattanooga State Technical Community College, representing the 10th community college in the state. A broad range of two-year associate degree programs and one-to-two year certificate of proficiency programs is offered by each college.

The State Board for Vocational Education - The state technical institutes are governed by the State Board for Vocational Education. The state Department of Education provides necessary administrative support. The names and locations of the state technical institutes are:

Nashville State Technical Institute	Nashville	State Technical Institute at Memphis	Memphis
State Technical Institute at Knoxville	Knoxville	Tri-Cities State Technical Institute	Blountville

Various two-year associate degree programs are available at the technical institutes. In addition, special industrial and community service courses are offered as the demand arises from interested groups.



Chickamauga Battlefield at Chattanooga

STATISTICAL DATA

The Statistical Data give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit.

TABLE I

STATE OF TENNESSEE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

FUNCTION	FOR THE YEAR ENDED JUNE 30									
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
GENERAL GOVERNMENT	$ 39,314	$ 53,242	$ 67,319	$ 83,033	$ 86,741	$ 141,814	$ 142,727	$ 134,539	$ 174,117	$ 179,184
EDUCATION	508,913	565,137	632,205	738,277	782,838	856,288	968,360	1,117,499	1,230,510	1,283,647
HEALTH AND SOCIAL SERVICES	396,122	429,033	453,820	652,596	817,289	824,168	901,046	973,808	1,197,936	1,384,330
LAW, JUSTICE AND PUBLIC SAFETY	48,238	52,846	62,337	72,563	82,143	99,592	115,607	128,982	145,516	162,715
RECREATION AND RESOURCES DEVELOPMENT	22,356	27,855	33,765	38,763	39,662	44,994	53,427	56,941	64,538	68,366
REGULATION OF BUSINESS AND PROFESSIONS	3,889	4,941	6,536	7,255	7,920	9,900	11,786	12,722	13,808	14,245
TRANSPORTATION	241,546	236,181	263,445	315,726	386,838	329,844	311,769	392,202	479,599	447,850
DEBT SERVICE	34,554	41,243	40,747	47,037	56,518	76,566	80,748	80,873	78,104	80,774
CAPITAL OUTLAY	43,399	37,261	56,315	104,834	153,012	110,395	91,003	91,620	89,383	90,978
TOTAL EXPENDITURES-ALL GOVERNMENTAL FUND TYPES	$1,338,331	$1,447,739	$1,616,489	$2,060,084	$2,412,961	$2,493,561	$2,676,473	$2,989,186	$3,473,511	$3,712,089

TABLE II

STATE OF TENNESSEE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

SOURCE	FOR THE YEAR ENDED JUNE 30									
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
TAXES	$ 833,787	$ 957,233	$1,050,651	$1,101,695	$1,222,295	$1,466,407	$1,687,041	$1,845,166	$1,891,741	$1,956,031
LICENSES, FEES AND PERMITS	20,038	21,488	22,801	24,003	27,042	29,095	33,688	35,602	38,260	40,359
INTEREST ON INVESTMENTS	19,436	23,624	43,209	56,999	41,468	33,586	39,137	67,732	92,012	78,861
FEDERAL	425,924	474,057	451,860	567,473	785,195	804,226	859,534	955,234	1,150,746	1,259,554
DEPARTMENTAL SERVICES	60,687	86,083	84,203	102,630	114,423	131,167	139,126	140,296	170,570	182,219
OTHER	1,945	2,110	4,192	1,429	3,040	4,503	5,580	5,246	10,083	7,817
TOTAL REVENUES-ALL GOVERNMENTAL FUND TYPES	$1,361,817	$1,564,595	$1,656,916	$1,854,229	$2,193,463	$2,468,984	$2,764,106	$3,049,276	$3,353,412	$3,524,841

STATE OF TENNESSEE
TAX REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands)

TAX REVENUES	FOR THE YEAR ENDED JUNE 30 1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
SALES AND USE	$326,732	$370,905	$ 415,339	$ 440,671	$ 516,214	$ 690,079	$ 785,143	$ 886,515	$ 924,007	$ 981,106
GASOLINE	78,765	84,402	88,008	88,110	92,302	96,153	99,101	103,003	94,167	90,511
MOTOR FUEL	10,354	12,328	13,633	12,669	14,363	16,271	18,104	20,005	19,646	20,516
GASOLINE INSPECTION	26,305	28,754	29,726	29,924	30,597	22.202	23,398	23,961	20,062	18,693
MOTOR VEHICLE REGISTRATION	62,270	68,508	73,503	73,440	77,906	85,809	84,301	89,894	90,761	89,785
INCOME	9,646	10,665	11,719	13,138	15,759	15,791	17,368	18,181	21,403	24,613
PRIVILEGE	9,059	13,504	14,331	12,895	17,099	21,218	25,385	28,407	28,473	28,291
GROSS RECEIPTS	19,401	20,329	24,396	30,056	37,820	38,463	66,581	71,616	77,051	89,032
ALCOHOLIC BEVERAGE	15,074	18,393	19,063	19,768	20,802	21,294	22,249	22,745	23,217	23,249
FRANCHISE	24,607	24,396	27,316	29,826	31,267	32,249	37,749	41,001	43,938	45,705
EXCISE	77,804	102,978	112,974	126,715	128,621	156,042	170,848	186,089	198,222	195,065
INHERITANCE AND ESTATE	26,781	31,488	29,611	27,538	30,683	41,247	57,588	37,493	28,307	26,674
TOBACCO	56,050	58,103	61,248	62,820	65,896	67,829	70,767	72,029	73,819	77,058
INSURANCE COMPANIES PREMIUM	25,692	28,624	31,816	34,483	37,657	43,525	50,033	55,444	60,006	62,143
UNEMPLOYMENT INSURANCE	52,414	69,326	80,971	80,417	84,826	95,678	133,589	164,964	161,844	153,900
OTHER	12,833	14,530	16,997	19,225	20,483	22,557	24,837	23,819	26,818	29,690
TOTAL TAX REVENUES-ALL GOVERNMENTAL FUND TYPES	$833,787	$957,233	$1,050,651	$1,101,695	$1,222,295	$1,466,407	$1,687,041	$1,845,166	$1,891,741	$1,956,031

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1981

Presented below is a brief description of the state's principal tax sources as shown in the preceding table. Since portions of some of these taxes are ultimately distributed to local governments, the preceding table reflects only those tax collections retained for state purposes.

SALES AND USE TAX - The retail sales and use tax, imposed in 1947, has become the state's leading source of revenue. From enactment until 1963, the general sales tax rate was 2%. In 1963 the rate became 3% and was changed to 3.5% in 1969. Effective April 1, 1976 the rate was temporarily raised to 4.5%. This temporary rate increase has been extended through June 30, 1982. The tax is applied to the sale, use, consumption, distribution, lease or rental of tangible personal property. Certain services, including charges for transient accommodations, storage and parking, and telephone service for regular subscribers are also subject to sales tax. Utilities and anti-pollution equipment are taxed at rates ranging from 1% to 1.5%. Political subdivisions, governmental agencies, charitable and religious groups, non-profit organizations and certain items of tangible personal property including drugs are exempt.

GASOLINE TAX - The gasoline tax was first enacted in 1923. The tax is levied at the rate of 7¢ on each gallon of gasoline or distillate refined, manufactured, sold, stored or distributed in Tennessee, as well as gasoline or distillate imported into the state. The tax rate was increased to 9¢ per gallon effective June 1, 1981. Refunds are granted on gasoline used for agricultural purposes, while political subdivisions and governmental agencies are exempt.

MOTOR FUEL TAX - The motor fuel tax was enacted in 1941. The tax is imposed at the rate of 8¢ per gallon on the sale of diesel fuel and 7¢ per gallon on liquified petroleum gas used to propel vehicles on the public highways. These rates were increased effective June 1, 1981 to 12¢ and 9¢ per gallon, respectively. Exemptions applicable to the gasoline tax are also generally applicable to the motor fuel tax.

GASOLINE INSPECTION FEE - The gasoline inspection fee was first enacted in 1899 for the purpose of assuring that gasoline and oil sold in the state met certain minimum standards. Currently, the rate is 1¢ per gallon on volatile substances having certain gravity level which are produced from petroleum, natural gas, oil shales or coal.

MOTOR VEHICLE REGISTRATION FEES - Since 1905 a fee has been charged for the registration of all motor vehicles. Vehicles for personal use are charged $17.75. The fee for motorcycles is $8.75. Motor freight vehicles are charged fees ranging from $30 to $1,035. Effective July 1, 1981, motor freight vehicle fees will range from $37.50 to $1,300.

INCOME TAX - Although Tennessee does not levy a general personal income tax, income derived from dividends and interest on stocks and bonds has been subject to tax since 1929. The tax rate is 6% on dividends from stocks and interest on bonds, except that the rate is only 4% on dividends from companies having more than 75% of their corporate property within the state. Blind persons, pension trusts, profit-sharing trusts and persons 65 years of age or older whose total income is derived from dividends and interest are exempt from the tax.

PRIVILEGE TAX - The first state privilege tax in Tennessee was levied in 1799. During the ensuing 150 years, 132 business activities were made subject to the tax. Virtually all of these business-related privilege taxes were abolished in 1971 and re-enacted as part of other taxes. Currently, the privilege tax base is provided from litigation taxes, realty transfer and mortgage taxes.

GROSS RECEIPTS TAXES - There have been numerous additions, deletions and alterations in the group of taxable privileges comprising the gross receipts tax since it was first imposed in 1937. Currently, the tax covers bottlers, mixing bars, utilities, theaters, firearms and vending machines. TVA payments "in lieu of taxes" based on power sales in Tennessee make up 70% of collections.

ALCOHOLIC BEVERAGE TAX - The alcoholic beverage tax was enacted in 1939, authorizing the sale of alcoholic beverages in counties and municipalities in Tennessee if approved by local referendum. It provided for a system of state licensing fees and established a gallonage tax on wines and liquors sold in the state. Currently, the tax is levied at the rate of $4.00 per gallon on distilled spirits and $1.10 per gallon on wines, with additional fees for regulatory purposes and for the issuance of licenses and permits.

STATE OF TENNESSEE
DESCRIPTION OF TAX SOURCES (CONTINUED)
ALL GOVERNMENTAL FUND TYPES
JUNE 30, 1981

FRANCHISE TAX - The franchise tax, first collected in 1937, imposes an annual tax for the privilege of engaging in business in corporate form in the state. The tax is levied at the rate of $1.50 per $1,000 of corporate stock, surplus and undivided profits of domestic and foreign corporations operating in Tennessee.

EXCISE TAX - The excise tax originated in 1923 and has always been a major revenue source. The tax is presently applied at the rate of 6% of annual net earnings from business done in Tennessee by all corporations, co-operatives conducted for profit, joint stock associations, business trusts and national banks. Formulas are used for determining the appropriate tax for corporations doing business in Tennessee as well as other states.

INHERITANCE, ESTATE AND GIFT TAXES - The inheritance tax was first enacted in 1891. Originally the tax was applicable only to property going to collateral heirs, but was extended to direct heirs in 1909. The rate and base are divided into two different classes and apply to all property, real and personal, with certain exemptions applicable to each class. During the 1978 session of the General Assembly extensive changes were made in the inheritance, estate and gift tax statutes (Chapter 731, Public Acts, 1978). These changes have resulted in substantial decreases in collections.

TOBACCO TAXES - Tobacco taxes were first levied in 1925. The present tax equates to 13¢ per pack of 20 cigarettes and 6% of the wholesale cost for all other tobacco products.

INSURANCE COMPANY PREMIUM TAX - This tax, first enacted in 1945, is applied to gross premiums paid by or for policyholders residing in this state or on property located in the state. The rate is 1.75% for domestic life insurance companies and 2% for all others.

UNEMPLOYMENT INSURANCE TAX - With the enactment of the Employment Security Law of 1947, employers in the state began paying contributions to be used for the payment of unemployment benefits to qualified persons. The base rate of contributions is 2.7% of taxable wages paid by employers subject to the provisions of the law. The actual rate of contributions may vary, however, from .3% to 4% depending on the employer's experience rating. Certain non-profit and governmental employers are eligible to make payments in lieu of regular contributions.

STATE OF TENNESSEE
RATIO OF NET GENERAL LONG-TERM DEBT TO
ASSESSED VALUE AND NET DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Ratio and Per Capita Data)

FOR THE YEAR ENDED JUNE 30	POPULATION	ASSESSED VALUE	GENERAL LONG-TERM DEBT			NET GENERAL LONG-TERM DEBT	
			TOTAL (NOTE)	LESS DEBT SERVICE FUND	NET	RATIO TO ASSESSED VALUE	PER CAPITA
1972	4,053	$10,555,463	$338,000	$2,459	$335,541	3.18%	$ 82.79
1973	4,089	9,185,787	372,090	2,747	369,343	4.02	90.33
1974	4,137	9,978,197	407,780	2,001	405,779	4.07	98.09
1975	4,181	10,883,811	529,470	607	528,863	4.86	126.49
1976	4,233	11,380,663	642,960	1,115	641,845	5.64	151.63
1977	4,288	11,904,068	639,750	3,805	635,945	5.34	148.31
1978	4,322	12,739,419	698,940	1,800	697,140	5.47	161.30
1979	4,380	13,591,900	650,730	2,461	648,269	4.77	148.01
1980	4,435	16,647,800	603,020	2,821	600,199	3.61	135.33
1981	4,498	17,700,000 Est.	590,195	2,897	587,298	3.32	130.57

NOTE: Total General Long-Term Debt does not include Sewage Treatment Facilities Fund General Obligation Notes and Bonds as follows:

YEAR	NOTES	BONDS
1972	$12,000	
1973	25,000	
1974	28,000	
1975	40,000	
1976	69,800	
1977	95,000	$52,095
1978	43,375	50,905
1979	65,000	49,650
1980	44,000	48,330
1981	49,490	79,995

These obligations are reported as debt of that enterprise in the accompanying financial statements.

TABLE V

STATE OF TENNESSEE
COMPUTATION OF LEGAL DEBT SERVICE MARGIN
JUNE 30, 1981

(Expressed in Thousands)

LEGAL DEBT SERVICE LIMIT (1981 PLEDGED REVENUES OF $233,580 ÷ 150%)	$155,720
LESS - 1981 DEBT SERVICE REQUIRED ON ALL GENERAL LONG-TERM DEBT, INCLUDING SEWAGE TREATMENT FACILITIES FUND GENERAL OBLIGATION NOTES AND BONDS	(89,336)
LEGAL DEBT SERVICE MARGIN	**$ 66,384**

	PORTION PLEDGED	COLLECTIONS FOR FISCAL YEAR 1981 ALL GOVERNMENTAL FUND TYPES	COLLECTIONS FOR FISCAL YEAR 1981 LOCAL GOVERNMENT FUND	COLLECTIONS FOR FISCAL YEAR 1981 TOTAL	PLEDGED PER CENT	PLEDGED AMOUNT
CALCULATION OF 1981 PLEDGED REVENUES, AS ABOVE:						
GASOLINE TAX	5¢ of the 7¢ tax per gallon	$ 90,511	$66,670	$157,181	71.4%	$112,272
GASOLINE INSPECTION FEE	All	18,693	12,017	30,710	100.0	30,710
MOTOR VEHICLE REGISTRATION FEE	One-half	89,785		89,785	50.0	44,893
FRANCHISE TAX	All	45,705		45,705	100.0	45,705
TOTALS		$244,694	$78,687	$323,381		$233,580

NOTE: Pledged revenues for the last five years are shown below:

FISCAL YEAR	PLEDGED REVENUES	PER CENT INCREASE (DECREASE)
1977	$228,646	5.7%
1978	238,213	4.2
1979	249,640	4.8
1980	238,206	(4.6)
1981	233,580	(1.9)

TABLE VI

STATE OF TENNESSEE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
LONG-TERM DEBT TO TOTAL EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Ratio Data)

FOR THE YEAR ENDED JUNE 30	DEBT SERVICE	TOTAL EXPENDITURES	RATIO
1972	$34,554	$1,338,331	2.58%
1973	41,243	1,447,739	2.85
1974	40,747	1,616,489	2.52
1975	47,037	2,060,084	2.28
1976	56,518	2,412,961	2.34
1977	76,566	2,493,561	3.07
1978	80,748	2,676,473	3.02
1979	80,873	2,989,186	2.71
1980	78,104	3,473,511	2.25
1981	80,774	3,712,089	2.18

TABLE VII

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
TENNESSEE HOUSING DEVELOPMENT AGENCY FUNDS
SINCE INCEPTION IN 1975

(Expressed in Thousands except Coverage)

FOR THE YEAR ENDED JUNE 30	DEDICATED REVENUES	RELATED EXPENSES	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE
1975	$ 1,510	$ 39	$ 1,471	$ 1,279	1.15
1976	4,582	178	4,404	4,340	1.01
1977	7,893	278	7,615	7,233	1.05
1978	13,104	712	12,392	11,825	1.05
1979	24,339	928	23,411	20,177	1.16
1980	32,289	1,123	31,166	26,548	1.17
1981	**42,335**	**1,478**	**40,857**	**38,609**	**1.06**

STATE OF TENNESSEE
SCHEDULE OF REVENUE BOND COVERAGE
COLLEGE AND UNIVERSITY FUNDS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands except Coverage)

		DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30	FEES AND CHARGES	TENNESSEE STATE SCHOOL BOND AUTHORITY	OTHER THAN AUTHORITY	TOTAL	COVERAGE
1972	$ 88,412	$ 7,648	$2,066	$9,714	9.1
1973	99,813	7,648	2,003	9,651	10.3
1974	102,054	7,648	1,672	9,320	11.0
1975	115,347	7,648	1,683	9,331	12.4
1976	132,371	7,648	1,378	9,026	14.7
1977	144,728	12,769	1,297	14,066	10.3
1978	155,927	12,939	1,342	14,281	10.9
1979	174,513	13,109	1,261	14,370	12.1
1980	193,954	13,013	2,038	15,051	12.9
1981	**229,638**	**13,014**	**1,451**	**14,465**	**15.9**

TABLE VIII

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
JUNE 30, 1981

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL LONG-TERM DEBT			SEWAGE TREATMENT FACILITIES FUND DEBT (NOTE)		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1982	$ 51,125	$ 28,324	$ 79,449	$ 1,725	$ 4,674	$ 6,399
1983	50,625	25,937	76,562	2,065	4,586	6,651
1984	47,625	23,562	71,187	2,275	4,476	6,751
1985	45,125	21,306	66,431	2,390	4,354	6,744
1986	45,125	19,186	64,311	2,515	4,225	6,740
1987	45,125	17,071	62,196	2,655	4,089	6,744
1988	43,565	14,923	58,488	2,805	3,945	6,750
1989	40,815	12,841	53,656	2,975	3,792	6,767
1990	40,815	10,841	51,656	3,050	3,629	6,679
1991	38,165	8,923	47,088	3,195	3,461	6,656
1992	33,365	7,074	40,439	3,355	3,285	6,640
1993	26,955	5,543	32,498	3,550	3,100	6,650
1994	26,955	4,159	31,114	3,715	2,903	6,618
1995	23,955	2,861	26,816	3,900	2,695	6,595
1996	18,455	1,652	20,107	3,775	2,474	6,249
1997	6,655	778	7,433	3,015	2,256	5,271
1998	1,915	419	2,334	3,070	2,079	5,149
1999	1,915	282	2,197	3,270	1,896	5,166
2000	1,915	142	2,057	3,465	1,700	5,165
2001				3,335	1,490	4,825
2002				3,530	1,293	4,823
2003				3,120	1,082	4,202
2004				3,310	891	4,201
2005				3,195	688	3,883
2006				1,930	488	2,418
2007				1,090	361	1,451
2008				1,160	279	1,439
2009				1,235	192	1,427
2010				1,325	99	1,424
	$590,195	$205,824	$796,019	$79,995	$70,482	$150,477

NOTE: Sewage Treatment Facilities Fund General Obligation Notes of $49.49 million at June 30, 1981 are not included in the above table.

TABLE IX

STATE OF TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
JUNE 30, 1981

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	TENNESSEE HOUSING DEVELOPMENT AGENCY DEBT			COLLEGE AND UNIVERSITY DEBT (NOTE)		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
1982	$ 9,430	$ 31,205	$ 40,635	$ 4,364	$ 10,080	$ 14,444
1983	11,115	30,660	41,775	4,583	9,292	13,875
1984	13,315	30,013	43,328	4,787	9,057	13,844
1985	14,190	29,280	43,470	5,060	8,811	13,871
1986	14,555	28,496	43,051	5,317	8,551	13,868
1987	15,310	27,661	42,971	5,859	7,672	13,531
1988	15,220	26,784	42,004	6,030	7,403	13,433
1989	15,290	25,884	41,174	6,313	7,122	13,435
1990	15,220	24,964	40,184	6,613	6,826	13,439
1991	15,365	24,026	39,391	6,895	6,519	13,414
1992	16,950	23,015	39,965	7,217	6,196	13,413
1993	17,215	21,928	39,143	7,389	5,855	13,244
1994	15,585	20,863	36,448	7,683	5,502	13,185
1995	15,075	19,840	34,915	8,036	5,130	13,166
1996	14,855	18,824	33,679	8,378	4,741	13,119
1997	14,925	17,794	32,719	8,475	4,332	12,807
1998	16,545	16,681	33,226	8,667	3,920	12,587
1999	16,400	15,492	31,892	9,012	3,479	12,491
2000	16,655	14,287	30,942	9,244	3,023	12,267
2001	16,505	13,075	29,580	7,335	2,548	9,883
2002	17,035	11,846	28,881	9,284	2,176	11,460
2003	17,005	10,592	27,597	6,774	1,709	8,483
2004	18,375	9,292	27,667	7,072	1,350	8,422
2005	16,195	8,025	24,220	7,354	975	8,329
2006	17,345	6,796	24,141	5,176	588	5,764
2007	15,965	5,577	21,542	1,917	316	2,233
2008	15,155	4,442	19,597	1,027	227	1,254
2009	12,350	3,433	15,783	1,072	174	1,246
2010	11,240	2,550	13,790	1,082	119	1,201
2011	9,275	1,765	11,040	1,143	61	1,204
2012	7,650	1,106	8,756			
2013	3,025	701	3,726			
2014	1,925	532	2,457			
2015	1,880	411	2,291			
2016	2,005	288	2,293			
2017	2,565	144	2,709			
2018	980	31	1,011			
	$469,690	$528,303	$997,993	$179,158	$133,754	$312,912

NOTE: College and University refunded debt totaling $58,340 in 1982 and $51,115 in 1986 has been replaced in the above table by refunding debt of $58,005 and $52,985, respectively, thereby giving effect to the two crossover advance refundings which will be consummated in those years.

TABLE X

STATE OF TENNESSEE
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 1981

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30	GENERAL OBLIGATION BONDS		REVENUE BONDS		TOTAL REQUIREMENTS
	GENERAL LONG-TERM DEBT	SEWAGE TREATMENT FACILITIES FUND DEBT	TENNESSEE HOUSING DEVELOPMENT AGENCY DEBT	COLLEGE AND UNIVERSITY DEBT	
1982	$ 79,449	$ 6,399	$ 40,635	$ 14,444	$ 140,927
1983	76,562	6,651	41,775	13,875	138,863
1984	71,187	6,751	43,328	13,844	135,110
1985	66,431	6,744	43,470	13,871	130,516
1986	64,311	6,740	43,051	13,868	127,970
1987	62,196	6,744	42,971	13,531	125,442
1988	58,488	6,750	42,004	13,433	120,675
1989	53,656	6,767	41,174	13,435	115,032
1990	51,656	6,679	40,184	13,439	111,958
1991	47,088	6,656	39,391	13,414	106,549
1992	40,439	6,640	39,965	13,413	100,457
1993	32,498	6,650	39,143	13,244	91,535
1994	31,114	6,618	36,448	13,185	87,365
1995	26,816	6,595	34,915	13,166	81,492
1996	20,107	6,249	33,679	13,119	73,154
1997	7,433	5,271	32,719	12,807	58,230
1998	2,334	5,149	33,226	12,587	53,296
1999	2,197	5,166	31,892	12,491	51,746
2000	2,057	5,165	30,942	12,267	50,431
2001		4,825	29,580	9,883	44,288
2002		4,823	28,881	11,460	45,164
2003		4,202	27,597	8,483	40,282
2004		4,201	27,667	8,422	40,290
2005		3,883	24,220	8,329	36,432
2006		2,418	24,141	5,764	32,323
2007		1,451	21,542	2,233	25,226
2008		1,439	19,597	1,254	22,290
2009		1,427	15,783	1,246	18,456
2010		1,424	13,790	1,201	16,415
2011			11,040	1,204	12,244
2012			8,756		8,756
2013			3,726		3,726
2014			2,457		2,457
2015			2,291		2,291
2016			2,293		2,293
2017			2,709		2,709
2018			1,011		1,011
TOTALS	$796,019	$150,477	$997,993	$312,912	$2,257,401

STATE OF TENNESSEE
STATEMENT OF OUTSTANDING DEBT
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE LAST FIVE FISCAL YEARS

(Expressed in Thousands)

	JUNE 30				
	1977	1978	1979	1980	1981
ENTERPRISE FUNDS:					
SEWAGE TREATMENT FACILITIES NOTES	$ 95,000	$ 43,375	$ 65,000	$ 44,000	$ 49,490
SEWAGE TREATMENT FACILITIES BONDS	52,095	50,905	49,650	48,330	79,995
TENNESSEE HOUSING DEVELOPMENT AGENCY NOTES	11,400	13,233	15,109	2,671	240
TENNESSEE HOUSING DEVELOPMENT AGENCY BONDS	120,835	239,165	311,470	413,180	469,690
	279,330	346,678	441,229	508,181	599,415
INTERNAL SERVICE FUNDS:					
INFORMATION SYSTEM SERVICES NOTES		179			
INSTITUTIONAL FARMS NOTES			236	125	102
TENNESSEE STATE SCHOOL BOND AUTHORITY NOTES			634		
TENNESSEE STATE SCHOOL BOND AUTHORITY BONDS	58,005	110,990	110,990	110,990	110,990
TENNESSEE STATE SCHOOL BOND AUTHORITY CALL PREMIUMS	2,334	3,867	3,867	3,867	1,533
	60,339	115,036	115,727	114,982	112,625
GENERAL LONG-TERM DEBT - BONDS	639,750	698,940	650,730	603,020	590,195
	639,750	698,940	650,730	603,020	590,195
COLLEGE AND UNIVERSITY FUNDS:					
ENDOWMENT FUND NOTES	64	48	48	32	16
PLANT FUND NOTES	208	784	1,913	16,705	37,578
PLANT FUND BONDS	189,141	193,226	186,352	181,804	177,623
	189,413	194,058	188,313	198,541	215,217
TOTALS	$1,168,832	$1,354,712	$1,395,999	$1,424,724	$1,517,452

The "Opry" House, located in Nashville

ECONOMIC DATA

Economic Data are presented to allow a broader understanding of the economic and social environment in which State government operates.

STATE OF TENNESSEE
ECONOMIC CHARACTERISTICS*

TENNESSEE'S ECONOMIC GROWTH

During the last decade, the Tennessee economy has grown more rapidly than the national economy. This is indicated by the increase in gross state product (GSP) during that time versus the increase in gross national product (GNP). From 1971 to 1981 Tennessee's GSP increased from 1.73% to 1.88% of the GNP; during the same period, the state's personal income increased from 1.55% to 1.64% of the national total.

(Expressed in Millions)

YEAR	GROSS STATE PRODUCT	PERSONAL INCOME	DISPOSABLE PERSONAL INCOME
1972	$20,952	$14,968	$13,497
1973	23,916	16,908	15,183
1974	26,026	18,737	16,758
1975	27,258	20,125	18,177
1976	30,807	22,630	20,404
1977	34,944	25,100	22,467
1978	39,518	28,605	25,580
1979	43,494	32,162	28,678
1980	47,087	34,827	30,994
1981	51,972	38,546	34,248

TENNESSEE GROSS STATE PRODUCT BY SECTOR
(Expressed in Millions)

	1971	1976	1981	SECTOR AS PERCENTAGE OF 1981 TOTAL
MANUFACTURING	$ 6,728	$10,724	$16,679	32.1%
CONSTRUCTION	798	1,247	1,908	3.7
MINING	135	243	571	1.1
TRADE	2,995	5,244	8,910	17.1
SERVICES	1,849	3,229	6,003	11.5
FINANCE, INSURANCE AND REAL ESTATE	2,198	3,616	6,395	12.3
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	1,293	2,280	4,303	8.3
FEDERAL GOVERNMENT	781	1,306	2,678	5.2
STATE AND LOCAL GOVERNMENT	1,233	2,144	3,349	6.4
AGRICULTURE	472	774	1,176	2.3
TOTAL GROSS STATE PRODUCT	$18,482	$30,807	$51,972	100.0%

*Except as otherwise noted, the source for all economic information presented is the Tennessee Econometric Model developed by the Center for Business and Economic Research, College of Business Administration, The University of Tennessee, Knoxville.

	TENNESSEE AVERAGE ANNUAL WAGE BY SECTOR			PERCENTAGE CHANGE
	1971	1976	1981	(FROM 1971 TO 1981)
MANUFACTURING	$ 6,793	$ 9,881	$15,358	126.1%
CONSTRUCTION	7,366	10,110	14,395	95.4
MINING	7,410	11,272	18,947	155.7
TRADE	5,685	7,754	11,511	102.5
SERVICES	5,842	8,127	11,650	99.4
FINANCE, INSURANCE AND REAL ESTATE	7,053	9,819	14,734	108.9
TRANSPORTATION, COMMUNICATION AND PUBLIC UTILITIES	8,699	13,260	21,563	147.9
FEDERAL GOVERNMENT	10,634	14,517	23,454	120.6
STATE AND LOCAL GOVERNMENT	5,905	8,219	12,279	107.9
AGRICULTURE	1,996	3,267	5,802	190.7
ALL SECTORS	$ 6,496	$ 9,191	$13,985	115.3%

MANUFACTURING

The manufacturing sector is of special importance in Tennessee's economy as it has provided much of the impetus for the state's impressive economic growth record over the last decade. Tennessee continues to be attractive to a variety of manufacturers as evidenced by the 1980 $1.8 billion in announced capital investment, the first time the state has reached the billion dollar plateau. The combined new plant and expansion projects announced are expected to create 12,754 new job opportunities. The tables which follow indicate the state's growth in manufacturing gross product, employment and industrial expansion.

	TENNESSEE MANUFACTURING GROSS PRODUCT (Expressed in Millions)			PERCENTAGE CHANGE
	1971	1976	1981	(FROM 1971 TO 1981)
DURABLES:				
FURNITURE AND FIXTURES	$ 229	$ 327	$ 454	98.3%
FABRICATED METALS	352	705	1,079	206.5
NONELECTRICAL MACHINERY	436	882	1,370	214.2
ELECTRICAL MACHINERY	621	776	1,300	109.3
TRANSPORTATION EQUIPMENT	305	525	848	178.0
OTHER	853	1,438	2,233	161.8
TOTAL DURABLES	2,796	4,653	7,284	160.5
NONDURABLES:				
FOOD	641	1,118	1,704	165.8
TEXTILES	349	369	549	57.3
APPAREL	462	819	1,107	139.6
PAPER	300	549	955	218.3
CHEMICALS	1,383	1,919	2,887	108.8
RUBBER AND PLASTICS	301	491	770	155.8
OTHER	496	806	1,423	186.9
TOTAL NONDURABLES	3,932	6,071	9,395	138.9
TOTALS	$6,728	$10,724	$16,679	147.9%

TENNESSEE MANUFACTURING EMPLOYMENT
(Expressed in Thousands)

	1971	1976	1981	PERCENTAGE CHANGE (FROM 1971 TO 1981)
DURABLES:				
FURNITURE AND FIXTURES	24.6	24.3	22.2	(9.8%)
FABRICATED METALS	27.8	30.4	33.2	19.4
NONELECTRICAL MACHINERY	20.8	30.3	34.0	63.5
ELECTRICAL MACHINERY	33.1	34.9	39.0	17.8
TRANSPORTATION EQUIPMENT	16.8	20.0	25.1	49.4
OTHER	64.9	68.4	73.5	13.3
TOTAL DURABLES	188.0	208.3	227.0	20.7
NONDURABLES:				
FOOD	35.8	40.0	40.7	13.7
TEXTILES	34.2	28.9	26.7	(21.9)
APPAREL	67.2	71.5	69.8	3.9
PAPER	14.4	15.7	19.1	32.6
CHEMICALS	58.4	56.4	58.1	(.5)
RUBBER AND PLASTICS	14.4	16.9	24.3	68.8
OTHER	47.1	48.4	50.0	6.4
TOTAL NONDURABLES	271.5	277.8	288.7	6.4
TOTALS	459.5	486.1	515.7	12.2%

INDUSTRIAL GROWTH IN TENNESSEE
NEW PLANTS AND EXPANSIONS

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
NUMBER:										
NEW	168	149	182	105	94	97	141	104	90	80
EXPANSIONS	208	206	239	146	138	194	195	136	151	129
	376	355	421	251	232	291	336	240	241	209
INVESTMENT (IN THOUSANDS):										
NEW	$136,137	$129,025	$278,937	$318,464	$160,463	$215,064	$177,555	$212,002	$238,945	$ 922,894
EXPANSIONS	152,621	268,534	347,327	293,647	135,146	255,787	397,536	367,874	353,274	853,470
	$288,758	$397,559	$626,264	$612,111	$295,609	$470,851	$575,091	$579,876	$592,219	$1,776,364
JOB OPPORTUNITIES:										
NEW	15,282	16,114	22,834	9,212	6,203	7,967	9,542	7,674	5,942	7,294
EXPANSIONS	12,772	12,682	17,689	7,399	5,285	8,868	8,927	6,750	8,922	5,460
	28,054	28,796	40,523	16,611	11,488	16,835	18,469	14,424	14,864	12,754

SOURCE: Tennessee Department of Economic and Community Development.

FIFTY LARGEST INDUSTRIAL EMPLOYERS

(Ranked by Number of Employees)

	COMPANY	NUMBER OF PLANTS	NUMBER OF EMPLOYEES
1.	UNION CARBIDE CORPORATION	8	13,059
2.	EASTMAN KODAK COMPANY	2	12,950
3.	E. I. DUPONT, DENEMOURS & CO.	5	8,122
4.	LEVI STRAUSS, INC.	11	5,971
5.	ARCATA NATIONAL CORPORATION	3	5,100
6.	ALUSUISSE	6	5,008
7.	NORTH AMERICAN PHILIPS CORP.	4	4,700
8.	ALUMINUM CO. OF AMERICA	3	4,590
9.	GENESCO, INC.	18	4,573
10.	FIRESTONE TIRE AND RUBBER CO.	4	4,464
11.	GULF & WESTERN INDUSTRIES, INC.	21	4,413
12.	WASHINGTON MFG. CO.	16	4,369
13.	ITT	7	4,027
14.	UNITED TECHNOLOGIES CORP.	8	3,946
15.	SALANT CORPORATION	9	3,792
16.	COMBUSTION ENGINEERING, INC.	2	3,710
17.	AKZONA, INC.	3	3,643
18.	NORTHWEST INDUSTRIES, INC.	10	3,542
19.	BURLINGTON INDUSTRIES, INC.	5	3,381
20.	BROWN GROUP, INC.	10	3,207
21.	HENRY I. SIEGEL COMPANY, INC.	7	3,155
22.	RAYTHEON COMPANY	3	3,000
23.	GOODYEAR TIRE AND RUBBER CO.	1	2,800
24.	KELLWOOD COMPANY	10	2,778
25.	GENERAL ELECTRIC COMPANY	5	2,755
26.	STANWOOD CORPORATION	5	2,732
27.	U. S. INDUSTRIES, INC.	5	2,653
28.	BEATRICE FOODS COMPANY	13	2,643
29.	AVCO CORPORATION	1	2,500
30.	INTERNATIONAL HARVESTER CO.	1	2,500
31.	MURRAY-OHIO MFG. CO.	1	2,500
32.	UNITED STATES SHOE CORP.	3	2,482
33.	BLUE BELL INC.	8	2,466
34.	AEOLIAN CORPORATION	3	2,400
35.	JIM WALTER CORP.	4	2,152
36.	FORD MOTOR COMPANY	1	2,123
37.	TRW INC.	4	2,061
38.	NEWSPAPER PRINTING CORP.	1	2,000
39.	ROBERTSHAW CONTROLS CO.	3	1,960
40.	GOULD, INC.	3	1,958
41.	SCHERING-PLOUGH CORP.	2	1,880
42.	E. W. SCRIPPS CO.	2	1,850
43.	DART INDUSTRIES, INC.	2	1,750
44.	ASG INDUSTRIES, INC.	2	1,746
45.	SPERRY CORPORATION	1	1,700
46.	THE TRANE COMPANY	1	1,700
47.	SCOVILL, INC.	2	1,639
48.	MCKEE BAKING COMPANY	3	1,625
49.	COLT INDUSTRIES, INC.	1	1,600
50.	EATON CORPORATION	4	1,515

SOURCE: Tennessee Department of Economic and Community Development, Industrial Development Division.

AGRICULTURE

Important export commodities such as soybeans, tobacco, cotton, corn, and greenhouse and nursery products are among the top income earners for Tennessee farmers.

CASH RECEIPTS
(Expressed in Millions)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
CROPS	$316.0	$ 503.1	$ 555.8	$ 505.8	$ 601.1	$ 705.2	$ 717.6	$ 824.1	$ 927.9	$1,049.1
MEAT ANIMALS	331.0	412.9	226.6	366.9	405.5	382.2	564.2	606.8	692.9	767.4
DAIRY PRODUCTS	123.0	133.3	156.1	168.8	193.8	203.5	214.7	245.3	271.7	298.7
POULTRY AND EGGS	61.4	94.1	76.2	75.4	81.1	89.8	90.6	103.4	111.1	125.2
	$831.4	$1,143.4	$1,014.7	$1,116.9	$1,281.5	$1,380.7	$1,587.1	$1,779.6	$2,003.6	$2,240.4

POPULATION AND EMPLOYMENT TREND

The state's population has increased close to 1% per year with a shift in recent years to a net in-migration condition from one of a net out-migration.

(Expressed in Thousands except Unemployment Rates)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
POPULATION	4,053	4,089	4,137	4,181	4,233	4,288	4,332	4,380	4,435	4,498
LABOR FORCE	1,729	1,752	1,820	1,809	1,832	1,900	1,916	1,979	1,989	2,065
TOTAL EMPLOYMENT	1,665	1,683	1,728	1,658	1,722	1,780	1,806	1,864	1,846	1,887
UNEMPLOYMENT	64	69	92	151	110	120	110	115	143	178
TENNESSEE UNEMPLOYMENT RATE	3.7%	3.9%	5.1%	8.3%	6.0%	6.3%	5.7%	5.8%	7.2%	8.6%
U. S. UNEMPLOYMENT RATE	5.6%	4.9%	5.6%	8.5%	7.7%	7.0%	6.0%	5.8%	7.9%	7.7%

BANK DEPOSITS, INTERNAL REVENUE COLLECTIONS, RETAIL SALES AND EFFECTIVE BUYING INCOME

(Expressed in Thousands)

YEAR	BANK DEPOSITS	INDIVIDUAL IRS COLLECTIONS	RETAIL SALES	EFFECTIVE BUYING INCOME (MEDIAN HOUSEHOLD)
1971	$ 8,736,500	$1,334,200	$ 7,011,600	$ 6.5
1972	10,422,800	1,470,800	7,793,500	6.9
1973	11,948,000	1,725,300	9,639,600	7.8
1974	12,500,000	1,978,500	10,797,100	9.7
1975	13,262,400	1,947,800	11,436,100	11.0
1976	14,406,300	2,226,100	12,748,000	11.6
1977	15,954,200	2,632,700	14,255,300	12.7
1978	17,252,600	3,025,500	15,712,200	13.4
1979	17,236,700	3,484,100	17,209,600	14.8
1980	10,516,557	3,832,600	18,280,000	15.8

SOURCES: R. L. Polk World Bank Directory, Sales Management's Survey of Buying Power and the Tennessee Econometric Model.

NEW HOUSING UNITS AUTHORIZED IN PERMIT-ISSUING PLACES
VALUATION OF BUILDING PERMITS OR PUBLIC CONTRACTS ISSUED

(Expressed in Thousands)

	PRIVATELY OWNED	PUBLICLY OWNED	TOTAL
1971	$431,800	$16,400	$448,200
1972	590,800	7,900	598,700
1973	582,900	2,100	585,000
1974	331,800	2,400	334,200
1975	310,900	8,100	319,000
1976	444,200	5,800	450,000
1977	642,700	4,500	647,200
1978	805,200	7,400	812,600
1979	728,600	5,700	734,300
1980	610,800	7,300	618,100

SOURCE: United States Department of Commerce Construction Reports.

POPULATION, TAX BASE AND PERSONAL INCOME

(Expressed in Thousands)

YEAR	POPULATION	ASSESSED VALUE	APPRAISED/ ESTIMATED CURRENT VALUE (NOTE)	PERSONAL INCOME	PER CAPITA INCOME
1972	4,053	$10,555,500	$25,032,100	$14,968,100	$3.7
1973	4,089	9,185,800	29,652,000	16,908,000	4.1
1974	4,137	9,978,200	31,755,700	18,736,700	4.5
1975	4,181	10,883,800	34,564,300	20,124,500	4.8
1976	4,233	11,380,700	36,232,800	22,630,000	5.4
1977	4,288	11,904,000	38,298,200	25,100,300	5.9
1978	4,332	12,739,400	40,260,500	28,604,900	6.6
1979	4,380	13,591,300	66,257,600	32,162,400	7.3
1980	4,435	16,647,800	72,767,700	34,826,700	7.9
1981	4,498	17,700,000 Est.	78,000,000 Est.	38,546,100	8.6

NOTE: State law now requires the State Board of Equalization to determine and report "estimated current property value" instead of the previously published "appraised value." Estimated current property value calculations, shown in the above table for 1979, 1980 and 1981 (Est.), produce substantially larger amounts since they attempt to reflect current property values in advance of completion of the ongoing total reappraisal program.

SOURCE: State Board of Equalization and the Tennessee Econometric Model.

PUBLIC SCHOOL ENROLLMENT GRADES K-12

ACADEMIC YEAR	GRADES K-3	GRADES 4-6	GRADES 7-9	GRADES 10-12	TOTAL ALL GRADES
1971-72	264,552	229,729	236,774	188,195	919,250
1972-73	259,163	230,705	232,321	188,224	910,413
1973-74	257,883	229,840	223,827	188,836	900,336
1974-75	261,738	227,519	225,269	182,780	897,306
1975-76	268,625	220,433	229,826	186,847	905,731
1976-77	277,579	210,359	234,306	186,042	908,286
1977-78	281,621	203,116	232,124	188,159	905,020
1978-79	280,357	202,414	224,585	190,173	897,529
1979-80	274,146	205,877	214,202	189,448	883,673
1980-81	268,985	214,658	210,485	192,554	886,682

PUBLIC HIGHER EDUCATION INSTITUTIONS
FULL-TIME EQUATED FALL ENROLLMENT

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
UNIVERSITIES:										
AUSTIN PEAY STATE	3,378	3,187	3,327	3,299	3,461	3,640	3,789	4,001	4,112	4,079
EAST TENNESSEE STATE	8,107	8,028	7,946	7,717	8,690	8,564	8,429	8,181	8,348	7,697
MEMPHIS STATE	15,262	15,157	15,345	16,095	16,669	15,939	15,836	15,683	15,495	15,195
MIDDLE TENNESSEE STATE	8,226	8,537	8,631	8,938	9,352	9,140	9,157	9,109	9,467	9,788
TENNESSEE STATE	4,375	4,418	4,033	4,347	4,633	4,943	4,525	4,889	6,473	6,588
TENNESSEE TECHNOLOGICAL	5,959	6,102	6,081	6,027	6,222	6,269	6,422	6,517	6,905	7,403
UNIVERSITY OF TENNESSEE-CHATTANOOGA	3,960	3,983	3,907	3,942	4,447	4,755	4,893	5,042	5,356	5,739
UNIVERSITY OF TENNESSEE-KNOXVILLE	22,605	23,339	23,631	24,754	26,407	25,997	26,412	25,667	26,080	26,035
UNIVERSITY OF TENNESSEE-MARTIN	4,703	4,723	4,702	4,708	4,854	4,874	4,665	4,652	4,828	5,005
UNIVERSITY OF TENNESSEE-NASHVILLE	1,353	1,763	2,179	2,328	2,544	2,586	2,558	2,418	*	*
TOTAL UNIVERSITIES	77,928	79,237	79,782	82,155	87,279	86,707	86,686	86,159	87,064	87,529
COMMUNITY COLLEGES:										
CHATTANOOGA STATE TECHNICAL			788	1,373	2,327	2,349	2,413	2,633	2,997	3,108
CLEVELAND STATE	1,506	1,516	1,658	1,693	2,059	1,919	1,911	1,920	1,806	2,113
COLUMBIA STATE	1,201	1,007	903	970	1,218	1,150	1,166	1,248	1,311	1,451
DYERSBURG STATE	564	570	614	645	764	664	665	626	671	684
JACKSON STATE	1,050	1,034	1,082	1,125	1,478	1,459	1,438	1,522	1,686	1,686
MOTLOW STATE	685	651	738	709	815	870	974	1,067	1,124	1,262
ROANE STATE	235	578	729	997	1,527	1,637	1,662	1,751	1,799	2,139
SHELBY STATE		846	1,552	2,300	3,057	3,301	3,137	3,071	3,260	3,443
VOLUNTEER STATE	446	1,023	1,067	1,190	1,683	1,663	1,658	1,578	1,857	2,078
WALTERS STATE	745	939	1,130	1,250	1,949	1,768	1,797	1,875	2,102	2,286
TOTAL COMMUNITY COLLEGES	6,432	8,164	10,261	12,252	16,877	16,780	16,821	17,291	18,613	20,250
TOTAL ALL INSTITUTIONS	84,360	87,401	90,043	94,407	104,156	103,487	103,507	103,450	105,677	107,779

*Effective July 1, 1979 the Nashville campus of the University of Tennessee was merged with Tennessee State University.

SOURCES: Tennessee Department of Education and the Higher Education Commission.